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# ***Daily Report***

## ***Supplement***

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# **East Europe**

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# East Europe SUPPLEMENT

JPRS-EER-93-017-S

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4 March 1993

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**\* Czech, Polish View of Visegrad Group Reported**

93CH0365A Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 30 Jan 93 p 5

[Article by Michael Ludwig: "Poland and the Czech Dream of Good Luck"]

[Text] Warsaw, 29 Jan—Czech Prime Minister Klaus did not cause a political earthquake in Warsaw, but all kinds of comments with his announcement that Prague will end political cooperation with its present partners, Poland and Hungary, in the Visegrad group. In early January Klaus had self-confidently intimated to the French newspaper, LE FIGARO, that his country will be prepared for EC membership within two or three years—probably hoping that the EC would more readily swallow the little mouthful of Bohemia than the roughly 75 million East Central Europeans all at once. The "Visegrad process," for which Poland, the former Czechoslovakia, and Hungary until recently had declared their support as a means to stabilize the region and coordinate their policies toward the EC, had not originated in East Central Europe itself but had been launched by Western Europeans, according to Klaus. Such thinking is completely foreign to the region. Therefore the integration of the new Czech Republic in Western Europe under no circumstances will take place jointly with the Visegrad countries, Klaus said.

The opinion expressed by Klaus of the "Western European genesis" of the Visegrad process was contradicted by Hungary's Foreign Minister Jeszenszki, and Polish Europe Minister Bielecki told this newspaper that it means standing facts on their head if Havel's role, who, after all, participated in the launching of the East Central European cooperation, is simply ignored. No matter what one's opinion of the original motivations may be, the Visegrad group did achieve some objectives: After all, with its joint memorandum of September 1991 it was able to persuade the EC Commission to respond to urgent questions of the East Central Europeans on the future relationship with the EC in a way to create confidence. Therefore it makes little sense, Bielecki said, to give up this promising cooperation, now of all times, when the statement of the European Council on the Commission report is imminent.

The time for "bilateralization" of relations with the EC and for bilateral negotiations of the Visegrad countries with the EC will come soon enough: "At the very end of the process of rapprochement," Bielecki said; namely, when the question of full membership is on the agenda and the concrete initial terms will have to be discussed. Then it will become apparent which states are able to meet EC standards. Until that time cooperation of the candidates can only be advantageous. That does not exclude competition. On the contrary: The competition

for the best starting position in these negotiations will bring about the "vigorous continuation of the reform policies." Despite domestic policy rejections and delay, Poland has adhered to the Balcerowicz-initiated reform policy under five prime ministers and has consistently pursued the goal of EC membership. Nothing will change in that in the future. The latest economic data show that success comes about as reward for this consistency, Bielecki said.

**Doubts in Poland's Dependability**

However, Warsaw's determination with respect to economic reform and concerning the irreversibility of the "Western option" in foreign policy are called in question by the Czech side. The dependability of the Polish foreign policy is not guaranteed, Milarz, the political secretary of the Czech Embassy in Warsaw, stated, as long as the heads of some politicians are obsessed with notions of a "substitute EC," or a "substitute NATO." The pro-European politicians of the present government are not the ones to whom Prague wants to say goodbye, but to those romantics. Who is able to guarantee that the latter's ideas will not emerge as maxims of a new foreign policy in case of changes in the power structure? The new Prague government also does not think much of the effectiveness of the Polish economic policy. Thus why remain in a club that only might hold us back, Milarz asked. Bilateral economic, but also political cooperation with Poland will continue to the extent that the interests require. Prague does not have any objections either to the free trade zone, as recently emphasized by the deputy to Prime Minister Klaus in the newspaper LIDOVE NOVINY.

The Polish newspapers did comment on the Klaus statements with a degree of melancholy and some regret. But they did not hold the statements against him. In some political reactions there is even a certain melancholic understanding for the fact that Prague—after the collapse of the federation it sees itself in a new geopolitical situation far removed from East Europe's entanglements—wants to escape from the zone of possible instability in Eastern Europe with a leap forward and from Visegrad and, in doing so, apparently counts on Germany's help.

But economic experts, who earn their keep by comparative analyses, or knowledgeable Polish Europe politicians view Prague's yearnings with the eyes of realists. They know that many a dream of preferential terms has been shattered on the rocks of Brussels politics. Reliability and persistence, in the final analysis, are perhaps a better trump card in the game for Europe than political tactics. And finally, Vaclav Havel also did return to the stage, thus Prague's goodbye may not yet be final. Therefore Warsaw's slogan is: "Wait and see, and continued reform."

**Draft Law on Press, Media Published**

93P20099A Tirana RILINDJA DEMOKRATIKE in  
Albanian 10 Feb 93 p 1

[Text of draft law on "The Press and Other Public Information Media"]

[Text] On the basis of Article 10 of the "Law on the Main Constitutional Provisions," at the recommendation of the Council of Ministers, the People's Assembly of the Republic of Albania has decided:

**Article 1.** No one can be denied the right to express his opinions openly and freely by means of the press and the other public information media.

**Article 2.** No publication of the press or other public information media can be subjected to censorship. Prior limitation of the freedom of publication can take place only in the case of pornography or serious violation of public morality, when there is a call for the violent overthrow of the constitutional system, for terror, and for other serious crimes.

**Article 3.** Anyone has the right to have or to establish public information media. The establishment, registration, and the granting of permission to use private media organs are executed in accordance with the regulations set for juridical persons.

**Article 4.** The public information media have the right to receive the necessary information by means of spokesmen, directors, and other persons from different organs, institutions, organizations, and agencies when this cannot be done by any other means. No one has the right to prevent or to force the publication of information by the public information media.

**Article 5.** Anyone whose honor has been attacked or about whom an untruth has been circulated has the right to demand that a retraction by the media organ appear in the same organ. When the newspaper is a daily or a weekly, the retraction must be published within 20 days. In the case of media with a longer interval between issues, it will appear no later than in the third issue after

the original item was published. If the media organ refuses to issue a retraction or does not issue one by the above deadline, the damaged party can bring the matter to the court, which can decide to publish its decision. The presentation of material which does not correspond with the truth is condemned by the Penal Code.

**Article 6.** Anyone can publish information anonymously or under a pseudonym. The public information media are obliged to state the authorship of material only in the case of lawsuits with the authorization of the court.

**Article 7.** Newspapers, publications of news agencies, and periodicals of any other type must indicate the place and date of publication, the location of the printing press, the title of the publication, and the surname and first name of the publisher and editor. Failure to fulfill these requirements is punished by a fine of up to 50,000 leks.

**Article 8.** In the cases specified in Article 2, the district prosecutor has the right to ask the court to stop the dissemination or sale of newspapers and other publications. In urgent cases, the district prosecutor has the right to stop, temporarily, the dissemination or sale of newspapers or other publications. This order can be appealed to the court, which is obliged to hand down its decision within 24 hours of the receipt of the complaint.

**Article 9.** Anyone who publishes or disseminates unregistered or banned press organs is sentenced to a fine of up to 100,000 leks or to the deprivation of freedom for up to a year.

**Article 10.** The author of the article, the owner, and the publisher are civilly responsible, in an interdependent manner, for penal acts committed by means of the press.

**Article 11.** The violation of the regulations stated in Article 2 of this law is punishable by a fine of up to 150,000 leks or by deprivation of freedom for up to five years.

**Article 12.** This law goes into effect 15 days after it is published in FLETORJA ZYRTARE.

**\* Klaus Provides Details on Separation**

93CH0364A Paris LE MONDE in French 6 Feb 93 p 9

[Letter to the editor by Vaclav Klaus, prime minister of the Czech Republic: "A Letter From Vaclav Klaus on the Czech Separation"]

[Text] *On the heels of the article by Karel Bartosek, "Czecho-Slovakia: An Antidemocratic Separation" (LE MONDE, 16 January), we received a letter from Czech Prime Minister Vaclav Klaus challenging the historian's arguments.*

The article contains a large number of statements that must be viewed in their proper perspective, particularly since these assertions have been quoted in other articles by other authors.

1. It is not true that the division of the country was decided for the Czechs solely by the Civic Democratic Party (ODS). This party was supported in its decision by its coalition partners in the conservative Civic Democratic Alliance (ODA). The parties in the government coalition obviously obtained a majority and not 33 percent of the votes, as the article states, and therefore won a majority in the Czech section of the Federal Assembly as well as the Czech National Council. Moreover, at the time of the Federal Assembly's vote on separation from the Federation, the coalition won the support of several opposition deputies, Social Democrats, and representatives of the Social-Liberal Union (LSU). The Constitutional Law on Separation From the Federation was passed by a three-fifths majority in both chambers of the Federal Assembly.

2. It is not true that the election winners did not reveal their intention to divide the nation. The Civic Democratic Party had included in its program the resolution of conflicts concerning the structure of the country and, in the event that no agreement could be reached on the functional federation with Slovak political representatives emerging from the free elections of June 1992, then the party pledged to carry out the separation in a peaceful way, which it did.

3. It is not true that the sole democratic path to the division of the Czech and Slovak Federal Republic would have been a referendum. A referendum would have led to an impasse because Czech and Slovak ideas concerning a common state were not compatible. In the Czech regions, the parties comprising the government coalition and the voters that backed them then envisaged a common state in the form of a federation with broad shared and strictly defined competencies. The vast majority of those in favor of a common state in Slovakia interpreted it as a confederation that in no way corresponded to Czech ideas. In such a situation, a yes vote on a common state meant, in Czech regions, something diametrically opposed to the Slovak interpretation. As a result, the common state thus created would never have been viable.

4. It is not true that the Czech "ultraliberal right" was urged to get rid of Slovakia because of serious socio-economic problems. From an economic and social standpoint, dividing the nation does not procure unilateral benefits for the Czech Republic since the loss of the Slovak market could be a source of substantial difficulties in the future. The split was made necessary by political factors. The principle of national self-determination demanded by the Slovaks is absolutely legitimate and underestimating its importance in the past led to serious conflicts in Central Europe whose consequences are felt in countries in the region even today.

No one has the right to label this, with scorn, as "separatism." It was absolutely impossible to achieve a separation guaranteeing that the newly created state would be autonomous while still a part of another state.

**\* Former Communist Leaders Reappear**

93CH0342A Prague ZEMEDLSKE NOVINY in Czech 28 Jan 93 p 4

[Commentary by Martin Hekrdla: "In the Name of Socialism!"]

[Text] In Prague, in January of this year (the exact date is top secret), "About 20 persons met voluntarily, according to a statement made by Vaclav Papez, a member of the UV [Central Committee] and a candidate for the VV [Executive Committee] of the KSCM [Communist Party of Bohemia and Moravia], to formulate and sign the political declaration of the KSCM's ideological course, called "For Socialism."

As luck would have it, the signatures included those of the former secretary of the KSCM, Miroslav Stepan, notorious because of his talent in commanding armored cars and strike forces on the streets of Prague in 1988 and 1989, and the former minister of the interior and dissident-beater J. Obzina. That in itself cast a negative light on the contents of the declaration, and, therefore, it is not surprising that the press did not bother to analyze the contents of the above-mentioned document and stuck to the adage: "Tell me who signed it, and I'll tell you what it's about."

However, the declaration is worthy of attention, even though it is a collection of cliches, introduced by a quote from Lenin: "An ideological struggle within the party does not mean that we will reject each other but, rather, that we will influence one another." It seems that the present pragmatic KSCM leadership, leaning toward social democratic phraseology, is not interested in such mutual influence. That is not solely because J. Svoboda is well aware of what happened as soon as Lenin uttered the above-quoted sentence. The consequence was the bloody suppression of the Kronstadt uprising, the prohibition of factions in the party, and the building boom in the area later called "the Gulag archipelago." It also has to do with the fact that an explicitly formulated dogmatism can put its foot down with revivalist force and

return the Fucik-like gleam to the eyes of the Stalinist electoral base of the KSCM, which elected "reformists" to legislative bodies and the highest party agencies only in the face of harsh reality, making a virtue of necessity. J. Svoboda, J. Mecl, J. Ortmann, M. Ransdorf, et al. function as traitors to socialism in this electoral base and in the notorious refuge of the soul.

The contents of the "For Socialism" declaration are capable of making the poisonous gasses of leftist fundamentalism, for which some rightist fundamentalists are waiting, bubble up to the surface of the latent mire of Stalinism.

The authors and signatories of the declaration resolved to use "the advanced traditions and positive results of the communist party in our country and in the world" as their basis. Therefore, it is not surprising that they emphasize that they met "voluntarily" because an inseparable part of the mentioned traditions was the obligatorily spontaneous May Day parades and other workers' gatherings, the condemnation of people and texts, which none of the gathered people knew or had read, nor did they have a need to know them or read them, let alone condemn them. In their declaration, the signatories champion all imaginable levels of society and occupations, including tradesmen. In relation to that point, they probably thought it purposeful to forget Lenin's words that "capitalism originated and is still originating in small-scale production." Apart from that, they openly state that they "oppose the reinstitution of capitalism in our country," but, at the same time, they intelligently "will take the present situation and the position of domestic businessmen into account." That diabolic astuteness almost matches and goes beyond Gottwald's theory of 1946 about our own "Czechoslovak path to socialism."

Clearly, the central pearl of the declaration is the evaluation of the success of "the socialist establishment of the People's Republic of China, the Democratic People's Republic of Korea, the Socialist Republic of Vietnam, and the Republic of Cuba." Notwithstanding the fact that the histories of these countries are very different and very interesting, regardless, for example, of whether it is the relatively large degree of authenticity of the Cuban revolution on the one hand, or the de facto capitalist reform of the Chinese communist mandarins on the other (but accompanied by tanks and masses of corpses, like the methods used in Chile), in this context, the fact that the "Stepans" joined the list of basic rights and liberties, the rule-of-law state, and the flourishing democracy is disconcerting.

"The ideological, political, and educational platform," which is another name for the ideological course manifested by the declaration "For Socialism" and profaned in advance by the names M. Stepan and J. Obzina, is the hackneyed chant of former advocates of Stalinist *skanzen* [reconstructed medieval villages] in Central Europe. It is reminiscent of the sound of water splashing into a sink for a sailor who cannot fall asleep and regain his

strength on dry land without it. But, in times of expanding fundamentalism, when even Sladek's ideas easily win 6 percent of the votes (and locally even many more), it is inappropriate to underestimate a literary work that, at first glance, merely seems amusing.

#### \* Slovak Writer on Havel as Politician, Playwright

93CH0356A Bratislava SLOBODNY PIATOK in Slovak  
29 Jan 93 p 3

[Commentary by Marian Vanek: "And You Will Not Have Another Havel..."]

[Text] When I found out at the beginning of 1989 that they had locked Vaclav Havel up again, I told my coworkers that I clearly saw him as our future president. They laughed at my vision as being absurd. However, I was deeply convinced of it. Something in me, something that I cannot precisely name, told me this was a fact, and I did not doubt it. This absurd idea became a fact at the end of the year, and Vaclav Havel most probably will soon have the opportunity to undergo his qualifying exams again. Permit me, therefore, several personal comments (in all due respect) on his personality, which is full of contradictions.

What desire can satisfy a playwright more, one who, moreover, has been president, than having the opportunity to transfer his absurd plays from the stage into real life so that the entire nation must, willy-nilly, participate in them? Not even Shakespeare succeeded at that, and what an author he was! Perhaps it is just because of this that so many dramatists are pouring into politics. The political limelight strongly reminds one of the theater, with all its consequences. Playwrights and actors are rewarded for their acts with applause. From the audience to the stage there is a flow of invisible energy that enters into them and is the cause of their blissful state. Actresses who are by chance pregnant also feel this state. Actors, playwrights, and politicians are well acquainted with this feeling of happiness that applause gives them, and it is mainly because of this that they love theater or politics. After a successful performance, the politician is also aware of the onset of an internal satisfaction, which, in time, becomes like a drug for him. He should properly give the successful performance again or add an extra act in order to stay closer to the routines of the theater. And the theater is further intertwined with politics. The prompters become advisers, the stagehands lobbyists, and the playwrights politicians. The intrigues and plots are carried over from the theater into politics. Do you wonder at how a politician so convulsively grasps the podium, which is the symbol of their power? I do not. It is all one big absurd play. Someone named it "Absurdistan" or "Havlama." In this connection, I thought of the epigram I published in 1967 but that is still valid, that "All seats of power seduce one, except the electric chair."

Vaclav Havel left the sinking ship of the Czecho-Slovak federation as the first person and sailed to the safe

harbor of an observer above the parties on his clean moral shield, even though the captain is supposed to be the last to leave the ship, according to the established custom. Even when he is certain the ship is sinking. Just because he knows that. This is part of the captain's moral shield. Only a captain who has a great desire to be able to get back on the bridge gives priority to saving himself. This desire of Havel's to be president, which he has recently made abundantly clear, impacted unfavorably on a great many of his sympathizers. I recall one of his interviews with Jiri Lederer, I think in 1968, when he answered the question of what he wanted to be when he was a little boy with "President." And when the reporter asked him what he did to reach that goal, Havel answered, "Everything!"

The enlightened ruler paid for the power that came into his hands with unselfish service to the whole. It is permanent self-sacrifice. It is not enough to place one's free time on the altar as a sacrifice—the former communist rulers also did that—but, rather, it is necessary to also sacrifice one's desires and pleasures. Only thus can those governing gain the power of the just ruler. And, if someone emphasizes his morality too often, it is really amoral. The moral shield does not only consist of resistance to the former totalitarian regime and resultant imprisonment but is a complex matter that includes an exemplary family life and the fight against the negative elements in one's own character, along with pushing unselfishness as a life credo. If the ruler lives such a life and lives it on the basis of his deepest internal convictions and not as camouflage, he becomes an example for his subordinates. And, as if it were on a pyramid, this example spreads downward to the very last citizen. There is no other path to a just form of governing. When we look at it from the reverse viewpoint, it means that the current status of society is actually an internal image of the ruler.

Vaclav Havel has a habit of speaking with fondness about spirituality. My own experience, however, convinces me that all of his words in the sphere are just words and not actions taken. The basic step on the road to the spirit is that the future practitioner willingly and with internal ease, without a trace of suffering, renounce all dependencies. First in the worldly sphere and then in the spiritual. Smoking and drinking are strong dependencies. If the novice does not overcome this first and relatively easiest obstacle (the hardest for some) and continues to speak of the spiritual, he only knows it from the relevant literature, and his knowledge is only a compilation. This is flirting with it and not experience. The spiritual realm is one of deeds and not words, no matter how beautiful and inspirational they might be. And so Havel's spirituality loses its spirit and remains only the other.... Wisdom is not gained by higher educational studies or by quoting philosophical tracts but by correct distinctions being made. And one learns to make correct distinctions by living correctly. But we have already spoken of this; it is a circle, but not lost wanderings. A comment in passing: If a ruler does not rule himself, how can he want to rule others?

Vaclav Havel's creative works are a special chapter to themselves. For a long time now, I have not met with works that cover such a span of genres. Essays and dramatic works, the heavens and bagpipes. As if they had not been written by one certain person, but that two different beings had shared the authorship. Which is the true author? The playwright or the essayist? In the dramatic works, the main hero comes on the scene and usually unleashes uncontrolled chaos on the stage and leaves without even at least indicating a way out. And the essays? These are written in such a pregnant manner that no one word could be replaced by any other. Which Havel is the true Havel? The playwright whose chaos of the main protagonist reflects the internal chaos of the author, or the creator who, whether he wants to or not, always publishes something from inside himself or the essayist, a calm and peaceful observer of the untroubled world? One can, however, recognize the internal state of the soul by its owner's delights. If someone loves hard rock, his soul will not be crystal clean. We can understand that in young people, whose basic desires react to the rhythms of the instincts, but how can a mature man love such music? And so on. Hmm, hmm. To be an intellectual is sometimes more of a curse than a blessing. The intellectual puts understanding above the heart. If he were to be thorough in examining himself and his intellect, however, he would come to realize how much his intellect limits him. It limits him in his perceptions of himself, of others, of the world and the cosmos. The universal truth is actually so simple that an intellectual who treasures complexity does not know it and obviously does not even want to understand it. There is nothing worse for the nation than when an intellectual ascends to the throne. During his uncertain reign, there comes a time of interminable barren discussions and analyses, the search for consensus and purpose in the meaningfulness of nonsense.

Why then is the genius of Vaclav Havel seizing upon the role of president? What mistakes must he correct, or what new ones must he make? What karmic debt must still be paid? It certainly is not service to the nation, as that would evidently be done in some other way. In any case, he must put to himself a paraphrasing of Hamlet's question "To be president and not to be, or not to be president and to be?" That is the question to which there can only exist a Pythian answer. Each must find the answer within himself, however. No matter how Havel decides, it destroys Havel. Only he must choose which—Havel the president or Havel the playwright? What do you think, what is best?

#### \* New Defense Minister Views Reduced Army

93CH0374A Prague OBRANA LIDU in Czech 6 Feb 93  
p 3

[Interview with Lieutenant General Karel Pezl, chief of the General Staff of the Army of the Czech Republic, by MA; place and date not given: "Lt. Gen. Karel Pezl: The Smaller the Army, the Greater the Training: Intelligence Reporters Without Spies or Satellites"]



[Text] Just a few days ago, Lieutenant General Karel Pezl was confirmed as chief of the General Staff of the Army of the Czech Republic and deputy minister of defense by the minister of defense of the Czech Republic. We asked him several questions.

[MA] General, you used to be the chief of the General Staff of the Czechoslovak Army. Now you are chief of the General Staff of the Army of the Czech Republic. What is the difference between the two staffs?

[Pezl] As far as the structure of official duties is concerned, there is none. The Army of the Czech Republic has to perform the same duties as those that were performed by the Czechoslovak Army. However, the impact is naturally much smaller. The new geopolitical situation has also necessitated new approaches. Streamlining changes will have to be made not only in the structures but also in mutual relations and the numerical status. We will have to separate state administration from professional services. We must draw closer to the modern armies of the world through our performance. Of course, we are working on this. If the politicians approve the decision, they will have to give us a quarter of a year to implement it.

[MA] How will these changes directly affect the soldiers in the units?

[Pezl] Primarily, we will have to intensify training and make it more effective. If basic military training takes only 12 months, we cannot afford to have a soldier serve six months as a warrant officer. We must be able to train him fully even in such a relatively short time. The general principle is: The smaller the army, the greater and the more complete the training. A small army must also be more mobile, must be managed more efficiently, and must be provided with a truly effective intelligence service.

[MA] Since we are talking about the intelligence service, how should it obtain its information?

[Pezl] Most people think of spies and agents when they hear the term "intelligence service." That is a somewhat distorted picture. We intend to give a much greater role to the legal acquisition of intelligence information. Thorough analysis of the information will also be important. We want to significantly improve the quality of the intelligence service's technological equipment. Of course, when I talk about technological resources, it does not mean that we will acquire information satellites. Naturally, we do not have the money for them. But there are other resources we can use, which are accessible.

[MA] One of the important tasks you will have to deal with in your new office will be to help the police on the Czech-Slovak border if currency separation is implemented.

[Pezl] Minister of the Interior Jan Ruml has already mentioned that the Army will participate in this task. Therefore, it is no secret nor is it something that would

be in conflict with the present legislation. According to the laws of the CNR [Czech National Council], if the need should arise, the Army may reinforce the actions of the police for a limited time. The units that will be assigned to such tasks will be clearly identified and will be totally under the command of the police.

[MA] Do you already know which units will be affected by this measure and how many men will be involved?

[Pezl] Yes, the decision has been made. But I cannot disclose any of the details yet. They are still confidential.

#### \* General Prochazka Views Army Potential

93CH0374D Prague REPORT in Czech 15 Feb 93 p 9

[Interview with Lieutenant General Stanislav Prochazka by Frantisek Mozis and Vlastimil Stana; place and date not given: "Quo Vadis, Czech Army?"]

[Text]

#### With General Stanislav Prochazka About Military Matters and More

There are as many opinions and ideas about what the new Army of the Czech Republic should be like as there are individuals or groups of individuals. Although work has been done on the plan for several weeks, and a team of experts around the deputy minister of defense has cracked more than one hard nut, there is still time to look for other—let us say "unofficial"—opinions. Therefore, it will not do any harm if, by chance, from time to time, a person discovers an opinion that is a little different from what is usually found in ministerial circles. One of the people who can talk from experience about ideas on the future Czech Army is Lieutenant General Stanislav Prochazka.

[REPORT] What should the Army of the Czech state be like?

[Prochazka] In one word—democratic. It should uphold those ideas that create a democratic society. It should not have two functions—one purely military and the other aristocratically authoritative. The ideology of a democratic army is just as important. It should be simple and understandable to all citizens. It is really the formulation of general democratic sentiment, a necessary moral supplement to the military armaments. I would certainly emphasize the need for humanity and equality, which, however, under no circumstances, weaken the military power. On the contrary, the moral concept of humanity reinforces such power.

[REPORT] The Army of the Czech Republic will be faced with further changes. What do you believe to be the most essential?

[Prochazka] First of all, the function and objectives of the Army should be established. Then, on the basis of that decision, a plan for the organizational structure should be created and elaborated. However, that

assumes that one has a clear state military policy. Two ministries, the Ministry of Defense and that of Foreign Affairs, should consolidate their ideas to a much greater degree in that area. Unfortunately, that did not happen in the past. An understanding of the qualitatively new military doctrine by the generals is also important. However, I doubt that the present ones are capable of it. Another thing that must be done is an honest analysis of personnel matters. Personally, I believe that is the weakest link in the management and organization of the present Army.

[REPORT] Let us stick with the last problem. Briefly, in your opinion, what should the number-one principle in personnel matters be?

[Prochazka] Candidates for key functions should be identified on the basis of a thorough analysis, and they should primarily be young people. The selection should be very broad, so that it will be possible to judge the quality of each individual compared to the others. The personnel administration should certainly be headed by a civilian with a legal background. Until the final organizational structure of the Czech Army has been accepted, professional soldiers up to the rank of division commander should be accepted into a staff reserve and should execute their functions through official authorizations. Clear criteria for evaluating and selecting professional soldiers should also be established. This is our last chance to get rid of discredited and incompetent people. If we do not succeed in doing this, we cannot talk about creating a new Army.

[REPORT] But young, promising individuals are also working in the group drafting the new plans for the Army of the Czech state....

[Prochazka] That is true, but I am not sure that, for example, studying in the United States for less than a year, as is the case with Lieutenant Colonel Luzny, adequately qualifies him to head the planning group. Again, I would like to emphasize that it is first necessary to have a clearly stated military policy and only then create a planning team. At the moment, the opposite is happening. I also advocate the creation of some sort of opposition groups that would submit various alternative solutions. The end result should be the very best.

[REPORT] What ideas do you have on the size and organization of the Czech Army?

[Prochazka] I believe that an army of 70,000-80,000 men should be created. It should gradually be made into a professional army, naturally depending on the economic situation of the country. But one thing we should do immediately is to create a group of so-called contract noncommissioned officers. I lean toward introducing a group system, but I do not eliminate the usefulness of a division or brigade organization in some regions. For instance, in the mountain regions, a brigade system with independent, so-called object-oriented battalions could prove more useful. Rapid deployment units could be stationed within the territory of the country and would

be capable of maneuvering in any direction. But the necessary modernization of the Army is a subject of its own. In this context, I would especially concentrate on building up the Air Force and the Radio Engineering Army.

[REPORT] Do you have any ideas on changes in management?

[Prochazka] The Ministry of Defense should consider creating the Office of Secretary of State. The minister's advisory board should be turned into a military advisory group. The task of the minister's advisory agency would be to work out planning problems based on state plans, concern itself with the problem of building up the armed forces, solve problems on the preparation and supplementation of the forces and the preparation of the staff, and so forth. A general inspectorate should also be created, subordinate to the minister of defense. It should be headed by a soldier. All of this should be done to make sure that as few changes as possible would be needed should we be accepted into NATO. Naturally, foreign armies of democratic countries should be used as sources of information. But we should not merely travel around, write reports, and imitate. We already did that when we imitated the Red Star. Should we now do the same with the White Star? No, under no circumstances. When I asked Mr. Luzny how he is studying and analyzing the Army of the First Republic, I got the answer: What's to be found? However, I maintain that no European country had an organizational structure that was so detailed and thoroughly worked out as the Czechoslovak Army. It would be an irreparable mistake not to use our own experiences.

[REPORT] The Army has 23 billion Czech korunas at its disposal this year. Is that enough?

[Prochazka] That is what we were allotted. It will be up to the people in the Army to make ends meet with that amount. But it certainly will not be easy. In my estimation, we need 20 billion for operations alone. My suggestion is that the Army should develop independent economic activities and thus obtain the resources it needs. There are plenty of examples around us that demonstrate that that is possible.

[REPORT] But that is connected with a change in legislative standards....

[Prochazka] They should be coming soon. Not only those that affect the Army, so to speak from the outside, must be changed, but also internal standards within the Department of Defense. Many of them are obsolete, do not reflect the society-wide transformation, and tie one's hands and constrict the spirit too much. The legal experts in the Army as well as in the Czech National Council should play a more active role in that area.

[REPORT] The Army is made up of people. What role would you ascribe to the young people in the new Army?

[Prochazka] Unequivocally the main role. After all, in the near future, they will have sole responsibility for the defense of our country. Unfortunately, not everyone sees it that way. For example, take a look at the ministry. Look at how many people state that they are the only right people to do it, that only they can master the tasks. That is an error. They are merely protecting their well-paid jobs. And what about the young, promising professional soldiers? We are losing them in the meantime; they are leaving. I maintain that young people who could deal with these tasks do exist. There are still enough of them, but I get the impression that the personnel administration does not know about them. To be sure, they have less experience, but, at the same time, they have new ideas, which the generals and colonels lack.

#### \* Czech Ministry on Economic Competitiveness

93CH0373A Prague HOSPODARSKE NOVINY in Czech 3 Feb 93 p 8

[Interview with Stanislav Belohradek, Czech minister for economic competition, by Ludmila Lehka; place and date not given: "Monopolies, Good and Bad—A Look at Economic Competition Through the Eyes of the Minister"]

[Text] Following the Federal Office for Economic Competition in Bratislava and the Czech office with the same mission, the Czech Republic Ministry for Economic Competition began to function in Brno. In a relatively short time, its work entered the consciousness not only of the entrepreneurs but also of a part of the public, which came to understand that this is not a regulatory price office but that its purpose is to protect economic competition across the broad spectrum of Czech industry.

Lately, there has been talk about natural monopolies. We asked Minister Stanislav Belohradek why they are necessary, what their dangers are, and which monopolies currently are relevant here.

[Belohradek] Economic competition in a market economy gives entrepreneurs an incentive to achieve higher profits not by unreasonable, disproportionate price increases on goods and services, but by reducing costs and providing better services in all respects through technological improvements. The task of the government is to create the conditions for proper economic competition by establishing rules and systematically monitoring how they are being observed, but, as long as production and business transactions are carried out according to market economy principles, not interfere in them directly.

In all market economies, there are natural monopolies that have their characteristic features. They do not encounter competition in their field because creating it would not be economical. Such a producer, as a rule, provides goods or services that are essential for the life of contemporary society, and, for that very reason, the state must watch the activity of the natural monopoly and

control its efforts to increase profits by economically unjustifiable price increases.

A typical example of a natural monopoly is the network of power lines. In our opinion, the production of electricity itself is not a natural monopoly. As far as that is concerned, it would be appropriate, in accordance with the government's position, to demonopolize the present Czech Electric Power Plants Inc. Breaking up this company into independent producers would create a competitive environment at least on the production side. On the other hand, of course, the transmission system and the dispatching center have the character of a natural monopoly, and it would not be efficient or economical to build a parallel network. But, precisely for that reason, there is a need for a specific form of government regulation, as there is with the large system of centralized heat distribution, for example, in Prague, Brno, and Ostrava, or the supply and transportation of gas. A natural monopoly is also a basic telecommunications network, with the necessary government regulation, which in the case of radio communications is provided, because of the licencing policy and the limited capacity of the frequency spectrum, by the CR [Czech Republic] Council for Radio and Television Broadcasting, in accordance with Law No. 468/92. Similarly, the postal service will remain under government regulation, which temporarily applies also to the distribution of the press.

[Lehka] At your instigation, a law concerning a regulatory agency that would supervise proper behavior by the natural monopolies is being drafted. What is your idea of its function?

[Belohradek] The concept of the regulatory agency is based on the assumption that it will not replace what other central agencies are doing in respect to the sectors in question. We start with the idea that the influence of the state on enterprises that work in the public interest—natural monopolies—flows from the participation of the state in the corporations or from legislation.

We need to introduce regulatory measures as a substitute for a competitive environment mainly in the price area. The law must make it possible for the state to participate in setting prices and tariffs for the products and services of natural monopolies, on both the entrepreneurial and the consumer side.

Licensing is another area that works in the public interest. It encompasses the issuing and revoking of permits for product distribution or services within a delimited area, making certain that there is consonance in developmental plans from the standpoint of the strategic goals set by the economic policy of the Republic, and the creation of an environment that is conducive to its implementation. It should also be up to the regulatory agencies to resolve conflicts among entrepreneurs in this area by means of the licensing policy.

No less important are the measures we are preparing for the protection of the consumer. In this connection, this

would include approving conditions for receiving products or services, settling disputes about the responsibility for connections or supplies, and control over the fulfilling of operational and business responsibilities arising from legal measures in this area. Another aspect of the work of the regulatory agency will be to control compliance with the rules for the mentioned activities and ask for penalties when they are broken.

However, the state of our economy requires the enactment of temporary regulatory measures also in other areas, which will be determined by the government.

[Lehka] The transition from the system of planned economy to the market economy requires a number of new laws and regulations. We know that the present economic legislation is not entirely satisfactory. Which of the legal norms will have to be amended, according to the experiences of your ministry?

[Belehradek] Two laws are of primary importance to the work of our ministry—the antitrust law and the law on administrative procedures. Both need to be amended.

The law on administrative procedures was passed in 1967, and, although it was partly amended, its provisions on disciplinary measures are particularly inappropriate. We employ them when organizations do not provide us with the requested documentation we need for our investigations. In contrast to the previous sum of 200 Czechoslovak korunas [Kcs], the amended law allows a fine of up to Kcs10,000 to be imposed in such cases. I believe this penalty should be different for individuals and for legal entities. We think that, for an individual businessman, such a sum could be quite formidable, but, for legal entities, whose yearly turnover is counted in billions, it is rather negligible. We believe it should be somewhere between Kcs200,000 and Kcs300,000. After all, such enterprises have legal teams that, because they are acquainted with the subject, should be able to meet our requests without any problem.

The final phase of our decisionmaking is hampered by, among other things, the provision that the appellate official is the minister for economic competition. Elsewhere in the world, where similar institutions like our ministry exist, the appeal is handled by a court. Further, we think that the provision on participants in administrative procedures has not been resolved satisfactorily.

The second law that needs to be amended is No. 63/1991, the antitrust legislation. For example, it is not entirely clear when a business merger should be approved. Great difficulties could arise in this area because the approval of a merger is the requisite for the existence of the new business. If someone submits the merger for consideration after it has been actually completed, he runs the risk that the merger may not be approved by the ministry and will not go into effect. Such a situation came about in the case of regional newspapers. We consider one firm's capital interest in

the entire Republic to be a merger, which in itself is not illegal. But we ask the sellers and buyers to submit it for approval.

The antitrust law applies to only physical and legal persons listed in the companies' registers. We want not only business activity to be conducted according to this law but also institutions, organizations, and associations. Even those can make cartel agreements by setting prices for some work.

We are cooperating on the amendment of our law with the EC Antitrust Department and with the Slovak Antimonopoly Office. We want to submit to the Czech and Slovak parliaments a parallel draft text of the amended antitrust law simultaneously, before the end of the second quarter of this year, in accordance with the customs union agreement between the two governments. We are cooperating also on other laws that concern our activity, such as the law on awarding contracts for public works, which should be worked out in its principles by the end of March.

We would also like to draft a law on conflicts of economic interests, which is also a regulation that is applied in developed market economies. One person could not legally be a member of several corporate boards in the same or related field. An individual private entrepreneur also could not be a member of a supervisory board of a corporation. I believe I do not have to explain why we want to have such restrictions in our economy.

[Lehka] Your ministry is the only one that is not located in Prague. Doesn't your location in Brno complicate your cooperation with other government agencies? Don't you have problems with finding sufficiently knowledgeable workers?

[Belehradek] To have a ministry located other than in the capital is not unusual. In the FRG, the cartel agency was located for decades in Berlin, and the capital was Bonn. Our work with the government and other ministries is not restricted in any way. With some ministries, we work in joint commissions; for example, with the Finance Ministry we formed a commission that, after its establishment, worked on the situation in the meat *kombinats* [conglomerate of enterprises]. Now it is substantially broadening its range of activity. It is working on the problem of the dominant status of producers, which not only leads to discrimination in the market but is also reflected in prices. Such strategies are taken care of by the price law, which enables only the Finance Ministry to judge how commensurate prices are with the profits. We are at the same time able to observe the curve of costs and selling prices and to deduce from it whether the dominant or monopolistic status is being abused. But we cannot judge whether costs and prices are justified.

We hire workers for our ministry strictly on the basis of selective procedures. There is considerable interest in working for us, and we can pick and choose the people we want to work for us. Because our institution has no traditional precedent, we do not expect to find workers

who are fully trained. We are all learning, from the minister to the personnel in the sections.

**\* Prague Economy Reflects Slow Rise of Stability**

93CH0387A Berlin DER TAGESSPIEGEL in German  
3 Feb 93 p 3

[Article by Alexander Loesch: "The Change in Prague Is Virtually Palpable—But a Solvent Middle Class That Would Carry the Advancement of the City Is Still Missing"]

[Text] In Prague, one can virtually feel the economic and political change that is occurring, particularly the economic change. In the inner city, the picture is dominated by handsome branches of new Czech or also old and well-known international banks; new private businesses, cafes, and restaurants are springing up out of the ground by the hundreds. Some of them, for the most part those that operate at higher price levels, represent a revival of old Prague firm names, whose heirs or original owners proudly refer to their traditions and to the solidarity of the enterprise in advertisements. The golden city along the Vltava River, which was once a beauty competitor for Vienna, gave the impression, over the past four decades of communist exploitation and neglect, of being a poor relative of its rival on the Danube. It is now preparing itself for the new period of "returning to Central Europe."

And, in the meantime, this is no longer only wishful thinking, as was the case shortly following the revolution, but rather a definitive program that reflects the new geopolitical reality. The Czech State, which came into being at the beginning of the year, has returned to being within the borders of the former Kingdom of Bohemia which was an integral component of the western half of the Hapsburg Monarchy for 400 years. The Czech Republic thus essentially signifies a westward shift in Prague's politics and economics: moving closer to historically related Austria as well as to the neighboring economic superpower of Germany.

In contrast to the relationship of many Czechs toward Austria, that relationship toward the German neighbor is burdened by all kinds of negative images from the past. That is why the old idea of "building bridges" across Germany to France and Great Britain comes up repeatedly. The Czech minister of foreign affairs, Josef Zieniec, however, refers to the geographic given which results in Germany's key role for his country. Any pragmatic neglect of Germany (but also of Poland) and overly strong ties with France between both world wars are now being designated at the Prague Ministry of Foreign Affairs as one of the greatest errors committed by the First Republic.

Similarly, food for thought is contained in that "show of demagoguery" that the 11-member parliamentary faction of the right-extremist Czech Republican Party organized at the beginning of the parliamentary discussions immediately prior to the election of Vaclav Havel as first

president of the new state on 26 January. Judging by the disgusted reactions on the part of the public, the clumsy mixture of old nationalistic prejudices and new communist propaganda cliches regarding the "hereditary German enemy" and the "selling off of the homeland" (by Havel) resulted in a salutary shock.

In the image of the city of Prague, the closeness to Austria and Germany is already discernible. The shingles of well-known firms, particularly in the foodstuffs industry, but also from the banking industry, are contributing to the colorful multiplicity of city facades. The Czech capital city not only has numerous German-speaking tourists, but also many commercial representatives and business people who are, at least temporarily, located here. They are even being kept informed with not one, but two German-language newspapers regarding events in Prague. Numerous British nationals, Americans, French nationals, and Japanese are seeing to it that the colorful activities do not have a "German" effect, but rather an international one.

However, the time of the revolution is continuing—a time during which the now independent nation of 10 million souls must reorient its entire socioeconomic conduct. Although the stores are offering a picture of surplus, which is customary in the West, the prices are also almost "Western." Wages and salaries are not keeping pace. A new private-sector middle class is only slowly forming. Those who have not recognized the requirements of the times, such as initiative and entrepreneurial spirit, as well as those who are socially weak (perhaps less-qualified individuals or retirees) tend to sink ever deeper into poverty.

The state feels that it cannot finance greater social benefits in the foreseeable future and is placing its immediate hopes in the growing significance of private charitable organizations. The immediate consequence of this attitude, however, is a growing number of people who lose all support and end up on the street. These stranded individuals are now finding themselves on the reverse side of the market economy glitz. However, one hardly sees any beggars.

Those individuals who are compelled to pass by the full display windows in the inner city of Prague without being embittered are currently occupied primarily with one question: the future of the Czech koruna. Even the presidential election stood in the shadow of the question surrounding the splitting of the old Czechoslovak currency in terms of media coverage. And the pessimists, who considered the formal currency union with Slovakia, which has been in effect since the beginning of the year, to be a short-lived episode, have been proven to be realists.

One month after the dissolution of the CSFR and precisely on the day of the festive inauguration of Havel in his presidential office, the Prague parliament has now put an end to the rumors and speculations: With a large majority and without opposition, the delegates have

given the new state its own currency. The Czechoslovak Bank of Issue already has stocks of temporarily resampled bank notes to be used until the issuance of the new koruna, which has been announced for summer-time.

The future stability of the currency, one of the principal goals of the Klaus government, will also largely determine whether the new face of the city of Prague will remain as a radiant facade which can only make Western tourists happy. To be able to resume the old competition with Vienna, not only optical charm is required, but also a broad, solvent middle class which can help carry the economic upswing of the city.

### **\* Objections to Apartment Rental Freeze Raised**

93CH0373B Prague EKONOM in Czech  
28 Jan-2 Feb 93 p 25

[Article by Anna Cervenkova: "Apartment Market: Who Will Profit From Rental Freeze?"]

[Text] The Czech Government reacted to the unexpected price increases in the first days of 1993 by a surprising and totally unsystematic measure: Rents in municipal and privately owned buildings, which were to be raised by about 40 percent on 7 January 1993, will not be raised. The reason, Vaclav Klaus announced, was that this year's social burden has already reached its limits. This typical view of a macroeconomist, who sees only the overall, averaged quantities, was somewhat modified by the request to the responsible ministers to submit within three months proposals for reconciling the conflict between the interests of the owners of the buildings and the tenants and for supporting the construction of new apartments.

A position on the resolution of the government was also taken by the members of the Housing Association in the Czech Republic. The Housing Association is a voluntary civic association, whose members are, in particular, the Union of Czech and Moravian Apartment Cooperatives, the Association for Protection of Tenants in the CR [Czech Republic], the Civic Association of House Owners in the CR, and the Union of Towns and Communities in the CR. The association succeeded in the six months of its existence in achieving the seemingly impossible: bringing representatives of the building owners and the tenants to the negotiating table, determining their common interests, and beginning talks.

It is generally known that the conflict of interests between the tenants and the owners is growing, and, given the current state of the legal environment here, it could end up in an uncontrolled explosion. The case of the Jirkovsky announcement was a desperate attempt of

a helpless owner to prevent willful acts by tenants; on the other hand, instances of illegally turned off electricity, water, and gas attest to willfulness on the part of the owners.

To the great astonishment of those present, the representative of the Association for the Protection of Tenants (SON) did not express at the association's press conference any great joy over the statement of the prime minister—on the contrary. Even though tenants will save, on average, Kcs552 per apartment this year as a result of the rent freeze, that is no victory but a loss—a failure of the government's economic policy in the housing sector.

The tenants fully understand the fears of the owners and the lessors about where the money to secure and maintain the properties will come from because the continued deterioration of the housing stock works ultimately to the detriment of the tenants. SON therefore proposes that the state subsidize the maintenance of municipal as well as private apartment buildings by the amount the tenants will save this year. But such measure is not only very complicated and administratively unwieldy (as a "brick subsidy" it is a step backwards) but also unfair to the two-thirds of the population who live in cooperative apartments and family houses; no one will give anything to them, and the increased prices of building materials and labor will affect them and the owners of apartment buildings the same. It seems that that is not the road to take.

A more promising solution is to speed up privatization of the housing stock according to the so-called Bors's plan (Michal Bors is the mayor of Prague District 3-Zizkov. (We wrote in EKONOM No. 20/1992 about the plan's proposed way to sell municipal housing). But even that solution is not without problems. In view of the fact that our legislation does not recognize the institution of apartment ownership, municipal housing is being sold to cooperatives formed from the ranks of legal apartment tenants. Those cooperatives will be hit hard on 1 January 1993 by the real estate tax, whereas an individual who would buy a building—for example, at an auction—would have a 10-year tax vacation. It again appears that the nonexistence of a government housing policy leads to a totally nonsensical (and, let us hope, unintentional) burdening of one type of ownership more than another.

The association therefore rejects the rent freeze unequivocally, and that position is shared not only by the owners of the apartment buildings but also by the representatives of the tenants. A six-month postponement does not solve anything. Both the owner and the tenant have to calculate in a longer term. Both need from the government a responsible presentation of the necessary measures supported by thorough calculations of the indexes and the structure of living expenses according to the various types of households.

However, the Housing Association forgot one social group that today is hit the hardest: the one made up of those who do not have a house or an apartment. Large numbers of people born in the 1970's have no chance of entering the housing market because a legal market does not exist, and housing on the black market is out of reach of young families. Communities are selling apartments

to existing tenants, and a young person without an apartment has no access to that group. New construction is declining catastrophically. Even if the law on saving for construction goes into effect this year, it will take at least two years before the first of the savers obtain loans. Klaus's announcement made this entire tangle of problems even more convoluted.

**\* Finance Ministry on IMF Negotiations**

93CH0412A Budapest FIGYELO in Hungarian  
11 Feb 93 p 6

[Article by G.K.: "IMF-Hungary; Foggy Optimism"]

[Text] As predicted in the form of a probability in our last issue, an agreement between the Hungarian Government and the IMF delegation of negotiators has once again failed to materialize. The communique released by the Finance Ministry stressed the achievements and the points of agreements, above all. Accordingly, the IMF delegation viewed positively the results achieved in the conversion of the economic structure and in developing the legal and institutional framework for a market economy. They regarded as significant the essential achievements in reducing inflation and in improving the balance of payments. They agreed with the government's interpretation of indicators showing that the decline in production had come to a halt and that certain signs suggested the beginning of growth. Similarly, both parties agreed that it was necessary to continue the pursuit of cautious monetary policy in order to continue to reduce the inflation rate.

At the same time, however, the differences could be great insofar as budget policies are concerned, although the communique is vague in this regard. It indicates that the IMF delegation determined that the 1993 state budget and social security budget adopted by parliament included the initial steps needed to consolidate the state household in the medium term. The delegation recognized the importance of measures recommended by the government for the coming years, but it also added some more recommendations.

The communique indicates that negotiations are going to continue in the near future, but since no new negotiations have been mentioned so far, this practically means that the negotiations have broken off.

In a statement last week Finance Minister Mihaly Kupa indicated that the two parties came closer to reconciling their respective positions, but a few billions forints still had to be cut from the 1994-96 budget deficits. Based on EC standards the maximum permissible level of the state household deficit is 5 percent of the total budget. The Hungarian alternative submitted to the IMF experts shows a 6-percent deficit for 1994. The IMF delegation was unable to accept the 6-percent deficit, because Gerard Belanger, the head of the delegation, was not authorized to do so. In Mihaly Kupa's view, however, it will still be possible reach an agreement in February, when the IMF delegation chief returns to Budapest next week.

The question is, however, on whose readiness to compromise the finance minister is counting on: the IMF's, or the preparedness of our government that faces an election year.

There are concerns that in reality one cannot count on a compromise on either side. But one cannot rule out the possibility that the government is going to satisfy the IMF's desires, at least on paper. And then, let things happen the way they happen....

**\* EC Reluctant To Accelerate Integration Process**

93CH0412B Budapest FIGYELO in Hungarian  
11 Feb 93 p 7

[Unattributed article: "EC-Hungarian Negotiations; Europe Maintaining a Distance"]

[Text] Hungary has submitted a proposal to further develop the agreement on association, to accelerate the dismantling of customs duty trade barriers, and for the EC to make further concessions in the field of agricultural products. The EC delegation, however, had "strong reservations" upon hearing these requests. In essence, this is what journalists were able to learn about the EC-Hungarian joint committee's two-day meeting last week.

NGKM [Ministry of External Economic Relations] Executive Secretary Endre Juhasz revealed this much detail: We asked for an EC authorization to increase import duties on 18 industrial products (including chemicals). (It is known that the agreement on association provides an opportunity for doing so: The closing provisions state that Hungary may request permission to introduce protective tariffs and a maximum increase of 25 percent in import duties in regard to evolving branches or industry or industry branches being destroyed by competing imports, or if imports cause social tensions.)

In the course of negotiations the Hungarian party also urged the EC to accelerate the abolition of customs duties levied on Hungarian industrial exports. Although the trade provisions of the agreement—still only temporarily in force—provide that both sides could attain full free trade status in the course of five years at a pace of 10 percent per year, Hungary would like to achieve free trade status within four years, with an annual reduction in customs duties of 20 percent.

The joint committee meeting also dealt with the trilateral transactions. The delivery of goods by Hungary to the independent republics with the help of the EC has fallen far off the anticipated level. In the initial phase Hungary received Common Market credit guarantees for deliveries worth 500 million ECU's [European Currency Units], but only 5-6 million ECU's worth of these deliveries materialized. Our expectations could still be realized in the second phase, according to Endre Juhasz.

EC delegation chief Daniel Guggenbuhl, the head of the external relations directorate of the Common Market Brussels Committee, said that insofar as he was concerned, the meeting transpired in a "constructive, family atmosphere." At the same time, however, he also said that he saw little chance for accelerating the implementation of the agreement on association, because as a



result of the recession throughout West Europe, the EC itself is struggling with serious concerns. "Some of our economic indicators are almost the same as yours," Guggenbuhl declared, then went on to reassure the Hungarians by quickly adding that our trade relations had evolved rather favorably in 1992. Mutual exports have increased (EC exports to Hungary by 10-15 percent), and Hungary has come closer to the Community in every respect....

### \* EBRD Structure, Activities Discussed

93CH0391B Budapest TOZSDE KURIR in Hungarian  
14 Jan 93 pp 1, 3

[Article by E.Sz.K.: "EBRD, the Financier; Peter Reiniger: The Bank Provides Credit Even With No Collateral"]

[Text] EBRD plays a significant role in financing capital-hungry regions. The bank was established in East Europe in April 1991—as a unique mixture of investment and development bank—for the purpose of assisting the change to democracy and a free market economy. Its Development Banking Department finances the development of physical and financial infrastructures, while its Merchant Department provides capital to private companies or companies that are being privatized. According to its bylaws, EBRD must direct not less than 60 percent of the capital to the private sector and 40 percent to infrastructure or other state projects.

In practice, this ratio has become different. Since EBRD's first transaction in June 1991, the financing of 43 projects has been approved at a total of 1.242 million ECU's [European Currency Units] (\$1.517 trillion). By mid-November 1992, 42 percent of the financing approved by EBRD was directed to the private sector.

Most private-sector investments also include shares by Western companies. Several hundred decisions are in progress. But access to this capital is not easy. Most projects financed by the Merchant Banking Department are in the low-risk sectors, e.g., telecommunications, real estate, and food processing, and first-class multinational companies have interests in most of them. Its conditions for credit are the same as those of commercial banks.

EBRD rejects the criticism that it competes with commercial banks for low-risk projects. Peter Reiniger, who is responsible for Hungarian transactions, stated that they do not wish to take part in transactions in which a private bank plays a role without EBRD. Instead, they would like to attract other banks. The main difference between them is that EBRD is willing to lend without collateral. Even the bank's critics acknowledge that EBRD is much more flexible than an average commercial bank in its requirements concerning collateral. While most banks require guarantees by the state or by the parent company, EBRD places the emphasis on cash flow and on appropriate returns; bank executives look for guarantees in the investments themselves.

Companies interested in EBRD financing must pay attention to the following:

- They must prepare very detailed and concrete business plans. EBRD receives numerous proposals every day, most of which are rejected on the first round of screening. Obviously, the solution is to project the returns and the ratio of debt and direct capital, and proof must be provided that the company with an interest in financing is a partner with sufficient capital. EBRD is only involved in the financing of investment projects with a five- to 10-year maturity. It does not provide foreign-trade or short-term loans.
- Contact with other financing organizations and banks must be established before submitting a credit application to EBRD. It is rare that the bank will finance a project alone: It syndicates credit; it finances jointly with other organizations such as the IFC [International Finance Corporation]; and/or involves local or foreign commercial banks. Its basic principle is to equitably divide the risk between the company with an interest in the investment and the financial community. In most cases, EBRD is the primary creditor, cooperating with other organizations and companies.
- As a first step, one must contact, in London, the vice president responsible for the given country. During the initial phase, the local offices and the bank's high-level executives will not become involved in the project's evaluation. Investments are first screened by the vice president responsible for the given country. Major companies are known to exert pressure on the Board of Directors during later phases, but starting at the highest level would be a waste of time.
- One must be prepared for lengthy negotiations. If the vice president responsible for the given country finds the project worthy of further study, then the next step is the collection of more detailed information. Subsequently, the plans are looked at by the Operation Committee, which decides whether the vice president should continue with the negotiations. If an agreement is reached in all this, then the committee makes a recommendation to the board of directors. Although this recommendation is generally accepted, the process may take some time. All in all, the process requires six months to a year.
- One should not ask for financing direct capital (equity). Although EBRD has authority to finance up to 35 percent of the noncontrolling part, it is rare that the bank makes use of this possibility in the case of projects that are implemented with Western participation. It is much more difficult to come to an agreement on the conditions of capital share; the bank believes that it is already using too much of its own capital.
- Secondary benefits must be emphasized in any type of investment. Although the criteria which serve as the basis for selecting a project are purely business criteria, EBRD is obligated to also consider nonbusiness factors, such as, for instance, environmental effects,

the development of a service industry, the creation of jobs, or quality improvement. In the end, decisions are based on the assessment of the investment's unique aspects and not on policies; nevertheless, the evaluation of secondary effects is part of the process. Pressure on EBRD to adhere more strictly to noncommercial principles—especially in connection with environmental effects—will probably increase.

**\* PHARE Funds New Computer Technology Projects**

93CH0391A Budapest *COMPUTERWORLD*/  
*SZAMITASTECHNIKA* in Hungarian No 2, 12 Jan 93  
pp 1, 5

[Article by Elizabeth de Bony: "Looking at It From Brussels"]

[Text] *At the request of our editors, IDG news network's Brussels correspondent wrote this article about the PHARE [Economic Reconstruction Aid for Poland and Hungary] program's perspectives in Hungary.*

In early 1993, two very significant computer technology projects, at a combined value of 18 million ECU's [European Currency Units] (\$22 million), will be launched in Hungary. The purpose of these programs is to bring Hungary's ancient technology in statistics and customs control up to a European level. When this is accomplished, the Hungarian statistical system and customs administration may be integrated into the European system. This will be necessary if Hungary's old dream of becoming a member of the EC is to come true.

The two projects are part of EC's PHARE program; since 1989, PHARE helped not only Hungary but also other Central and East European countries in financing the change from planned economy to market economy.

During the past three years, the program provided about ECU240 million (\$408 million) for Hungary, including environmental protection, the acceleration of privatization, and the development of the telecommunication infrastructure. The two new computer technology projects provide ECU10 million (\$12 million) for computerizing Hungary's statistical and data collecting activity, and ECU8 million (\$9.6 million) for equipping Hungary's customs offices with computers and connecting them to a standard network. Although most of the PHARE programs include information technology, these two projects have a special significance because they also include extensive hardware purchases (almost 80 percent of the available funds will be spent on this). This ratio is reverse in the other projects where most of the money generally goes to technological cooperation, transfer of know-how, and professional training.

It was precisely the supply of hardware that elicited the greatest struggle for the projects. But sources close to the EC said that international regulations on the assurance of open and equal chances at competitive biddings and financial provisions were strictly observed.

Approximately ECU6.5 million (\$7.8 million) of the customs project's ECU8 million are slotted for hardware, the rest will be used for financing technical support. PHARE has set August as the deadline for the bidding which follows the completion of the study on the project's cost effects. Eight bids have been submitted, but the Hungarian committee decided that only three of these (those of Bull, ECL, and DEC's European affiliate) qualified.

According to well-informed sources, the committee was looking for a bid that was technically superior and offered an appropriate system at the lowest price. After lengthy deliberation and evaluation, it chose DEC's bid because it was "much less expensive" than the rest.

However, when the committee submitted its decision to the European Community for the final licensing, the EC expressed its reservations about the decision. They thought that there were several reasons why DEC's bid would not be "the best solution for Hungary." On the one hand, DEC "has no appropriate experience regarding customs regulations and processes" and, on the other hand, "there may be problems concerning the openness of the planned architecture" which is precisely what determines whether the equipment will be compatible with EC's present and future customs administration technology.

At present, the Hungarian committee and EC officials are reevaluating the bids with the involvement of technical experts, and the project may start in early 1993. EC officials say that reevaluation is "an old custom." There is nothing strange in rejecting the first choice, especially when hardware of such a high value is at stake. In reply to a question, the officials strongly denied the allegation that the reevaluation's sole purpose is to make certain that the PHARE projects, which are financed by the EC, are offered to a company that is operating within the EC. For instance, DEC's affiliate has already won a bid that was announced for the computerization of the Budapest Stock Exchange. Moreover, another competitive bidding, announced for the automation of Hungary's statistical system, was won by a Hewlett-Packard affiliate, another American firm, beating IBM.

The EC was swift in approving the screening committee's recommendation in connection with Hewlett-Packard, and this program may also start early this year in which case ECU7-8 million (\$8.4-9.6 million) of ECU10 million will be used for purchasing and installing computers.

Since such large sums are at stake, rumors began to circulate about irregularities in distributing the funds. In its reports on the years 1990 and 1991, the EC's auditing committee (Court of Auditors) called attention to flaws in the monitoring of PHARE expenditures. Neither report names any specific contract, but the 1991 report shows that Hungary's State Property Agency received about ECU2.7 million in early 1991 for financing the transfer of state enterprises into private hands. However,

by year's end, only ECU400,000 was spent for office equipment, a few courses and—among other things—official cars.

At the same time, EC officials stressed that these criticisms applied only to PHARE's initial phase and that much stricter controls have now been introduced, especially in connection with individual projects. But well-informed sources agree that the Hungarian PHARE programs can indeed be reproached for "delays that are manifest in every phase." The delays originate from a rapid turnover of government officials and the nature of the process. A few programs have been aborted because it was too complicated to open a convertible EC bank account.

Although such problems occur in all countries where PHARE programs are run, the grantors expected quite faster and smoother administration in Hungary, for the necessary reform processes were launched here years ago.

The European Community's PHARE program is part of an international funding program, which was launched in July 1989, through which Poland's and Hungary's economic restructuring would be supported through loans and grants. Since 1990, most East and Central European countries have participated in this international program which is coordinated by the EC and most of which is funded by member states. The rest comes from the United States, Canada, Australia, and Japan. In 1990, ECU600 million were provided to East Europe within the PHARE program, half of which was provided by the EC and its member states.

Although it was originally conceived as a short- and mid-term program, the accepted view at present is that PHARE should provide long-term assistance to Central and East European countries so that they can gradually develop their economies to bring them up to par with that of the EC, preparing their way for membership in the EC. For this reason, the European Community is changing its policy, and one-year programs are superseded by long-term programs that for last several years. This way the EC is able to better coordinate the various projects and the long-term economic goals that have been worked out for the individual countries. The change, to become effective in 1993, means that EC economists will involve industrial and foreign-affairs experts in deciding on program priorities. In addition to budget constraints, this will also mean that the amount allocated to Hungary within the PHARE program may not exceed ECU100 million per year in the future.

Hungary may also profit from regional programs, in addition to PHARE's national programs. COSINE, a ECU2.5-million (\$3-million) regional project could be mentioned, for instance, which is designed for updating and expanding existing computer networks by making them compatible with West European networks. In addition to Hungary, Bulgaria, Czech and Slovakia, Poland, and Romania also participate in this program.

COSINE puts the emphasis on installing and adapting equipment. It provides communication couplers which are compatible with the technology employed in the European Community.

Another regional PHARE program provided the above-mentioned five countries with ECU40 million (\$48 million) for the acceleration of privatization. Of this sum, ECU5 million (\$6 million) was allotted for the computerization of customs offices.

In addition to the PHARE program, Hungary also receives other financial assistance from the EC, e.g., the European Investment Bank provided three loans in 1991, amounting to a total value of ECU235 million (\$282 million), for the development of telecommunication and energy infrastructures. In addition, the Coal and Steel Community and the Economic Renewal and Development Bank of London, England, are also providing assistance.

The gap (which the PHARE is trying to help bridge over by bringing Hungary up to par) is well illustrated by the fact that Hungary's per capita GDP (\$6,491 dollars) is still far below the average (\$14,637) of developed countries of the Organization for Economy, Cooperation, and Development (OECD). The private sector provides 70-80 percent of GDP in these countries, while this ratio is, for the time being, a mere 15 percent in Hungary.

#### **\* Continued State Role in Banking Envisioned**

*93CH0413B Budapest FIGYELO in Hungarian  
11 Feb 93 pp 34-35*

[Interview with Hungarian Credit Bank President Istvan Szalkai by Adrienne Kurcz; place and date not given: "Capital Regrouping and Debt Consolidation: It Will Still Not Work Without the State"]

[Text] *In a September 1991 FIGYELO interview, Istvan Szalkai, then an adviser to the Bankers' Training Center, now the president of the Hungarian Credit Bank, began his statement by saying that "... banks will not be able to remove themselves in the near future from large state enterprises based on the old structure. Meanwhile, the private sector, based on the new structure and on growth, is not going to have access to the needed resources." A year and a half ago private firms were at a disadvantage from the standpoint of credit rating, compared to state enterprises with established banking relations. By now we have gotten beyond the initial bankruptcies of banks, and the initial steps of consolidating bad debts incurred by state enterprises, but the private sector, declared to be the engine of economic growth, still struggles with financing problems, and is still in the trap of being undercapitalized. Is the flow of resources still being blocked by state enterprises?*

[Szalkai] A year and a half ago the greatest problem of the private sector's access to credit was indeed the fact that state enterprises tied down much of the resources

available to banks, thus conserving the unhealthy economic structure. The banks renewed their loan agreements if for no other reason than to avoid the bankruptcy of their debtors. But once the law on financial institutions mandated a credit rating system, and once the more stringent bankruptcy law took effect, the volume of bad debts suddenly increased at the banks. This problem involves about 150 billion forints' worth of bad loans and threatens the economy as a whole. The government, the state as the owner, intends to resolve this problem by consolidating these loans, and by continuing with the settlement of questionable receivables this year.

The first step in credit consolidation was taken late last year; pending the final conditions governing consolidation, it could, for the time being, produce some improvement only in the balance sheets of banks. The Hungarian Investment and Development Corporation (MBF) must decide the fate of several hundred enterprises, but the institutional order of handling the transferred receivables is not entirely clear at the moment, and the principles of reorganization are not settled either. This is so because the simple transfer of a loan agreement—of a firm—from one column in the books to the column designated as "credit consolidation" does not change a firm's credit rating. Similarly, we do not know the exact role to be played by the MBF in this process, or by the market organizations commissioned by the MBF, and by the AVRt [State Property Management Corporation]. On the other hand, capital that can still be freed from enterprises subject to liquidation should be regrouped as soon as possible into areas of the economy that suffer from a shortage of capital, where capital could appreciate.

[Kurcz] In other words, do we have a private sector struggling with a shortage of capital on one side, and state enterprises releasing resources on the other?

[Szalkai] That's right. The only problem is that for now we do not have an institution that would act as a liaison between the two sectors. The MBF has authority to commission, or to establish, institutions that act as investors. Banks, too, could form their own portfolio management institutions, and could perform part of this function. This takes time, however, and I believe that this issue should have been clarified much earlier. If a bank finally gets rid of some of its bad receivables, it no longer has an interest in financing its debtor, unless it has guarantees to avoid further losses. Even the firms now being liquidated need a certain financing technique in the course of the liquidation proceedings; such financing has been provided by the banks before. Accordingly, not even the concept of a financial mechanism—in a broader sense of that term—is clear, one that is closely related to the management of receivables and to the reorganization. Thus it will be possible to sell the volume of receivables forced to appear on the market as a result of consolidation at prices well below levels that could be justified based on economic considerations.

[Kurcz] Which forces active in the sickly Hungarian capital market could be considered as investors by institutions agreeing to manage portfolios?

[Szalkai] However slowly, capital resources are expanding. For a while they discussed the possibility of operating the social security system on the foundation of capital collateral security, as a result of which social security could have emerged in the market as a serious investor, thus mobilizing substantial resources. It seems that this alternative has been rejected. On the other hand, preparations are being made to establish pension funds, a group outside the central social security system, that would be part of a group called contractual institutional investors. This would differ from short-term investors to the extent that deviations in the market value of their investments from the nominal value would influence their decisions to a lesser extent. These organizations would want to obtain longer term, secure returns to cover their long-term risks stemming from the obligation to make payments. Accordingly, a substantive change may occur in the capital market as a result of the establishment of pension funds.

Investment funds also expand the capital supply, but for the time being these funds are being invested into risk-free, low-yield securities, i.e., they do not directly resolve the problem at hand. One could increasingly count on risk capital companies; generally speaking these are foreign or joint ventures in Hungary. Characteristically, they invest in enterprises in the intermediate phase of development, because at that point one can tell whether a business is going to succeed; at the end of the developmental phase the risk capital companies remove themselves from the successful business. One must also consider, however, that whenever a foreign firm invests capital in Hungary, the concept upon which such investment is based is usually determined abroad, moreover, based on the investor's own, domestic experience. Based on such considerations it is often difficult to find investment opportunities in Hungary that are responsive to their expectations.

[Kurcz] Wouldn't the pension funds regard investing in new enterprises as too risky? They must give preference to secure investments, after all.

[Szalkai] In most instances, pension funds are restricted by the applicable law, and by their own, even more stringent internal rules, in the extent that they could participate in risky enterprises. The ratio of such enterprises will obviously be low. Of essence is the likely growth of supply in the capital market, however. Countless new capital market instruments could be created to reduce risks through intermediaries who know the market well, and these instruments could finance the new resources appearing on the capital market—including capital accumulated at pension funds—to indirectly finance also the higher risk private sector.

[Kurcz] Most people complaining about the commercial banks mention the shortage of credit. In vain is there excess liquidity; small entrepreneurs are unable to obtain credit, they claim.

[Szalkai] The fact is that a guarantee system is needed for banks to reduce the risks involved in lending money to private enterprises. The Credit Guarantee Corporation was established for this purpose not too long ago. On the other hand, the problem of undercapitalization cannot be resolved by way of guaranteed loans. The increased indebtedness of undercapitalized firms continuously increases the risks in additional financing, even if part of their loans are guaranteed by the state. Accordingly, an institutional system is needed which improves the ability of these firms to provide their own capital, one that can change their resource structure. Very few signs suggest progress in this regard.

[Kurcz] Some people believe that the costs of a fully market-based reorganization are much higher than those of a bankruptcy reorganization supported by the state. For this reason, or rather despite this, is there a need for the state to play a role in the regrouping of resources?

[Szalkai] Only in one country, Indonesia, was it possible to accomplish small plant, private sector development without state intervention. Accordingly, in general, state intervention is necessary to resolve the inherited structural problems of financial institutions; without that, bank lending activities would cease. In Hungary this manifests itself in the form of credit consolidation. In addition, the state must also encourage the establishment of new capital market institutions capable of efficiently regrouping the resources. Investments must be channeled directly into enterprise shares—stock—by providing state incentives. (Tax policy measures providing such incentives prevail in Hungary to a certain extent.)

The Credit Guarantee Corporation has been established with the participation of the state to reduce risks inherent in the development of an undercapitalized private sector. But further tax and interest-rate measures should be implemented to reduce the capital expenditures of starting private enterprises, so that the firms' own capital could replace borrowed capital. And finally, our transforming economy would also need a certain structural policy plan to enable persons active in the economy to better streamline their actions. The state's involvement in this regard is indispensable, even on the basis of international comparisons. This, however, would only provide the necessary framework for transformation. On the other hand, frequent, massive, ill-planned state interference to provide more room for the private sector cannot be regarded as a good solution.

### \* Privatization Leasing Test Deemed Successful

93CH0412D Budapest FIGYELO in Hungarian  
11 Feb 93 p 9

[Article by E.Zs.: "Privatization Leasing: The Managers Competed Everywhere; Privatization Leasing Test Successful: 15 Bids for Seven Firms"]

[Text] As an experimental part of privatization, the AVU [State Property Agency] last November authorized the issuance of tender invitations for bids to lease eight enterprises (regarding the leasing structure and the eight firms, see articles in the 23 July and 17 December 1992 issues of FIGYELO). The deadline for applications expired in January; tender bids were opened by the experts of the respective firms, and were forwarded to the AVU. At a conference on leasing sponsored by the National Association of Managers, AVU deputy directors Imre Juhasz and Istvan Vigh—the developers of this technique—said that 15 bids (mostly for leasing) were received relative to seven enterprises (and a tender invitation for the eighth firm, PROMONTORVIN Winery, Inc., will be issued within the next few days).

The AVU Board of Directors will evaluate the various bids in February. Agreements with the winning bidders will be consummated after the announcement of results, probably in March. By that time a complete assessment of the experiment will have been made, on the basis of which the Board of Directors will, in all likelihood, authorize the possible application of the privatization leasing concept on a far broader scale. It is not yet known where exactly the borderline will be drawn, but as Ivan Szabo, the minister in charge of privatization, confirmed at a news conference, it appears as certain that enterprises that participate in self-privatization programs and which have yet to change owners will be among the first to be authorized to use this technique. The minister said that expanding the application of this technique will not take place in the form a campaign; instead, the eligible constituency will be expanded gradually.

The experimental tender was a clear success, according to AVU professionals. Although only one valid bid was received for each of three enterprises, five investor groups submitted bids for the Sopron Clothing Factory, Inc., for example. The amounts of the bids are spread within a broad range; in regard to some firms the value ratio of bids was 1:3. Most bids submitted for profitable enterprises were above their nominal value, but some bids for loss operations amounted to 40-60 percent of the nominal value (which are likely to be accepted, short of better offers). The existing managements of all of these firms entered bids, but it could be said in general that all bidders were related in one way or another to the firms to be leased.

The first winning bid has already been announced: Karamell Bakery and Candy Manufacturing Corporation has been awarded to a seven-member investment group of Andras Farkas, composed of the corporation's management and workers. This group offered a leasing

fee somewhat above the nominal value of the firm with basic capital amounting to 476.8 million forints (and whose 1992 profits are expected to amount to 10.1 million forints). Another bidder wanted to acquire the company at nominal value, while a third bidder offered a higher amount than the amount of competing bids, but his bid did not comply with the required formalities.

**\* Head of New Central Audit Office Interviewed**

93CH0412C Budapest FIGYELO in Hungarian  
11 Feb 93 p 10

[Interview with Sandor Rubicsek, newly appointed head of the Central Audit Office, by Janos Budai; place and date not given: "The Head of the Central Audit Office; He Would Not Like To See a Waterhead; It Will Take Six Months to Establish the Office"]

[Text] *Effective 19 January, the prime minister appointed Sandor Rubicsek, head of the Interior Ministry's business division, to become the head of the newly established Central Audit Office. The 42-year-old Rubicsek is a graduate of the Academy of Finance and Audit, and of the University of Economics, and at present he is "struggling" to obtain his second diploma in the field of law. He worked for 15 years as an economist in the health care field, and was transferred from there to the state budget division of the Finance Ministry. He was once again transferred to ASZ [State Accounting Office] upon the establishment of that organization, but remained an auditor for only two months. He said that at ASZ his functions did not correspond exactly with his expectations, and therefore he left. At that point he became the director of the Interior Ministry's business division.*

[Budai] Where are the headquarters of the Central Audit Office going to be located; how many people and what size budget is it going to have this year?

[Rubicsek] For the time being, we will probably be located in the "Spinach House," but by late May we would like to find a permanent, separate building for ourselves. Our team consists of about 45 persons, and roughly half the number of these are controllers. Our annual budget is 90 million forints, most of which pays salaries and wages. In addition, we received a 30-million-forint allocation to purchase technical equipment.

[Budai] What criteria do you use to select your associates?

[Rubicsek] I am free to make these choices. Unfortunately, this field is so specialized that there is not much to choose from. For this reason I will recruit in part people I know, will lure away some experts from ASZ, and will invite competitive applications for the rest. I also have plans to hire some talented young people on a competitive basis, people who are not experts in this field, but are capable of learning this expertise.

[Budai] What deadline to you have?

[Rubicsek] We are supposed to submit to the government a detailed work plan for the Central Audit Office, already reconciled with the various ministries, by 1 October. In other words, not only the organizational and operating rules must be established by then, but we must also be finished with testing in practice our work methods and principles of operation.

[Budai] What is the first and foremost principle you must observe?

[Rubicsek] Our job is to audit and control the financial management of institutions funded by the central budget. Since we are dealing with state funds, public funds, I would like to see uniform, transparent, standard rules for the management of these funds which restrict actions on part of the government agencies to what is written in the rules.

[Budai] Such rules should be written jointly with the organizations to be controlled.

[Rubicsek] It could not be done otherwise. We would like to see an audit and control organization based on work processes, rather than a waterhead. This can be attained only with the help of people already involved in this work at the various ministries. For this reason, I am going to select many of my employees from the financial staff of the organizations subject to audit and control. Incidentally, there is nothing new about performing audit and control functions in the course of work; the Audit and Control Office operated in a similar manner between the two world wars, but the reach of that Office's authority included local governments.

**\* Process of Appointing Tourism Chief Questioned**

93CH0413A Budapest FIGYELO in Hungarian  
11 Feb 93 p 10

[Interview with Tamas Teglassy, newly appointed foreign tourism chief, by E.S.; place and date not given: "Foreign Tourism: At Least Until the Expo"]

[Text] *Tamas Teglassy has returned from the United States after decades of absence, and on 1 February he became chairman of the State Tourism Office.*

[E.S.] You certainly must be aware of the fact that your appointment has evoked adverse feelings in several people for two reasons. Quite obviously, one of these reasons is that after not living, and not even visiting, in Hungary for decades, you cannot be familiar with the Hungarian conditions and characteristics of the industry that you are now going to represent at the governmental level. Under any circumstance, you will be less familiar with these conditions than many people with whom you will work. The other problem is that you were appointed in violation of the announced competitive examination, because you exceeded the age of 50. How do you explain your appointment despite the above?

[Teglassy] I am aware of these objections, but I very much hope that Hungarian foreign tourism professionals and the public are going to assess my appointment more on the basis of the results I produce. Insofar as I am concerned, I regard the work I applied for and agreed to perform as a professional challenge—as difficult but nice work.

Quite naturally, neither could I have known in advance my chances in this competition, but it should be obvious that I entered the competition because I did not regard this attempt as hopeless from the outset. The decision was made based on the free will of those in authority here, but I was not told the exact reason of why I was chosen.

[E.S.] Accordingly, you obtained this position in the course of a regular competition, or could it be that your appointment was based on a separate ministerial decision, as we heard earlier?

[Teglassy] I was among those who submitted regular applications in response to the announcement, but I could not be selected from among these because I exceeded the age limit specified. Thus, after finding the rest of the contestants to be unqualified, they examined and accepted my application in the course of a separate proceeding.

I, too, was the subject of a hearing by the selection committee, and the fact that they selected me might have gained support because I exceeded the qualification criteria not only by four years, but also by four languages—this is a joke, of course—in addition to professional arguments supporting my application.

[E.S.] The membership of the selection committee included Andras Rubovszky, the chairman of the Hungarian Hotel Association, a recognized personality in Hungarian foreign tourism and a known MDF [Hungarian Democratic Forum] activist, as well as his brother, the personnel chief at the Ministry of Industry and Commerce. Could this have something to do with the fact that the minister chose you outside the competitive process?

[Teglassy] Since I did not know either of these gentlemen before, I am unable to assess in retrospect the kind of influence the two of them might have exerted upon the views of the five-member selection committee.

[E.S.] Unfortunately, the chairmen of the OIH [National Foreign Tourism Office] have frequently been replaced before. What is the term of your appointment?

[Teglassy] The appointment was made for an indefinite term. I set myself the goal to remain in this position at least until the end of the world exposition, because this represents a term in which the results of my activities in Hungary can be evaluated easily.

[E.S.] Even though you did not have enough time to thoroughly touch base here, what do you think is going to be your first function in this profession?

[Teglassy] It appears that we cannot postpone much longer supporting the objectives of tourism outside of Budapest, in other words, the increased potential to sell areas that have substantial attractive features from the standpoint of foreign tourism. Improving this profession's prestige, and having it accepted by the government, is also a serious task.

[E.S.] As we found out, you readily provided information to the press. Could we expect this attitude to continue in the future?

[Teglassy] Of course. Moreover, I trust that we will regard each other as partners for the sake of this industry. Please let me know if, by any chance, I deviate from this practice.

#### \* Ministry Official on 'Rumors' of Grain Shortage

93CH0414A Budapest MAGYAR NEMZET (Economic Supplement) in Hungarian 1 Feb 93 p 1

[Interview with Mrs. Sandor Jellen, Ministry of Agriculture chief counsel, by Lorinc Szendrei; place and date not given: "There Is Competition, but No Shortages at the Marketplace; Ministry Chief Counsel on the Rumors"]

[Text] *After last year's harvest, a number of farmers and merchants predicted supply problems in the grain market this spring, or just before the new harvest at the latest. Many expressed the greatest concern of not having enough bread in Hungary, and said that if the government wanted to avoid political tensions, it should encourage imports in several ways. Rumors to this effect have surfaced recently. Some newspapers claim to have learned that the country's grain supplies would not last for three months; this, at a time when we have six months to go before completing the next harvest. Consequently, last year's predictions appear to be coming true: Hungarian agriculture is not capable of satisfying domestic demand. Public debate and the guessing game among professionals was heightened by a rumor, according to which Hungary has sold a substantial amount of wheat abroad, despite the anticipated shortage. Another report holds that no export licenses have been granted for the sale of wheat flour since 1 January, which also suggests that the authorities have been cautious in managing domestic supplies. All this was topped by the fact that shortly after the beginning of the new year, the price of bread increased significantly for the second time in a row. Shoppers view this primarily as a sign of shortage.*

*We visited with Mrs. Sandor Jellen, the chief counsel of the Ministry of Agriculture's Division of Agricultural Market Rules of Order, to find our bearings amid the multitude of reports and concerns.*

#### The Government Does Not Dictate

[Jellen] Contrary to all the rumors, we have nothing to hide. I firmly state that there is no shortage, that there will be no disturbances in supplies. As I have previously



stated, 3.4 million metric tons of wheat were harvested in Hungary last year. In the average, 75-85 percent of wheat grown in Hungary is of edible quality, but for a number of reasons, last year's ratio of edible quality wheat amounted to only 60-62 percent of the wheat harvested. This means that 2.1 million tons of edible quality wheat was grown. Consumption habits and quantities to be consumed can also be calculated in advance. We may start out with the milling industry's performance. Based on a multiyear average, mills produce flour from 1.5-1.7 million tons of wheat. Based on this, we issued export licenses for 400,000 tons of wheat. Taken together, all this amounts to a grain balance sheet with a zero balance.

[Szendrei] And yet, rumors had spread that there was not enough wheat.

[Jellen] It is true that problems exist in the eastern part of the country. These can be explained by several factors. First, due in part to financial problems and in part to tactical reasons, the county enterprises did not purchase enough wheat to satisfy the milling needs. And the second reason: The decades-old, centrally directed equalizing system has been discontinued. The by now nonexistent trust could issue orders before to transport wheat from Somogy County to Szatmar County or in the reverse, wherever the shortage occurred. No one has the authority to do so today, and least of all the government. We cannot dictate, because that would adversely affect the market.

[Szendrei] Why don't the enterprises develop an internal buying and selling mechanism among themselves, without commands?

[Jellen] Because everyone is worried and protects his own supplies. This, too, is part of competition. At this time the hard-headedness manifested after the harvest by various grain and milling enterprises has backfired—at that time they wanted to purchase wheat at very low prices. Some firms paid little more than 6,000 forints per ton. The price quoted in September was in the vicinity of 7,200 forints, and today it is as high as 11,000 forints. By May the price could go as high as 13,000 or 16,000 forints. This, too, reflects the way the market works. For decades we have been accustomed to stable wheat prices from harvest to harvest. This has come to an end.

#### **Exports Must Not Be Impeded**

[Szendrei] The data you just mentioned appear to prove that the increase in the price of bread is not accidental.

[Jellen] The price of wheat is not the primary factor that determines the price of bread. It only represents 20 percent of the price of bread.

[Szendrei] So then, are you still saying that you did not act in haste with the export licenses, that price as well as quantity problems did not arise due to excessive exports?

[Jellen] I do not believe that our exports were excessive. On what grounds could we have stopped the exports? Had we done so, we would have reneged on our own promissory notes. The firms entered into agreements and the buyers paid. Deliveries may be protracted until the new harvest. We would place a number of enterprises and entrepreneurs into an unpleasant situation if we were to interfere, and the price for such interference would have to be paid by the government because it has to face the consequences of any and all prohibitive measures.

[Szendrei] Accordingly, we are exporting wheat, while rumors have it that we are also importing. We hear of purchases from Austria, and even from the United States.

[Jellen] It is not within my competence to discuss specific business transactions. The market economy package also includes the fact that anyone can be engaged in importing. I know of a case like this, but please don't ask me to state the name of the firm. I am not supposed to disturb any business transaction. Even the smallest misspoken word or bit of information could be dangerous. The market style includes the fact that in given situations government officials must strictly seal their mouths.

[Szendrei] But you could talk about the fact that you have stopped the exportation of flour. You must have had a reason for that.

[Jellen] Unquestionably, the authorities have not issued export licenses for flour since 1 January. But whatever amount of flour has been shipped prior to 1 January could not be more than 50,000 tons. I do not have the final figure; accordingly, this figure is approximate. At the same time we must also realize that the struggle for the flour market is the toughest part of the grain business. Some enterprises did not think through their milling plans last fall; they were only concerned about buying up wheat at a low price and selling it at the highest possible profit. The problems they are struggling with now are not small. One cannot rule out the possibility that some of them are finding themselves in dangerous situations. A lack of planning by management also creates havoc at the mills. Including this, I still say that one should not interfere with these things through governmental action or steps taken by other authorities.

[Szendrei] How realistic were the hopes of those who placed their bets—even as part of hedging—on government-subsidized imports in case of a shortage?

[Jellen] They were not realistic at all. I regard such hopes as groundless not only because of the present situation, but also from the future standpoint. This would amount to a retreat to the redistribution mechanism, to paternalistic state conduct. Everyone in the marketplace must consider the consequence of each step he takes.



**Reserves Exist**

[Szendrei] And yet, you did recently throw out a life raft. The government bought up some reserves.

[Jellen] I won't deny that the opportunity available to the government to temporarily purchase reserves is somewhat akin to a life raft. But this was also done based on market considerations. In other words, we paid a realistic price for it, and anyone is able to repurchase his grain prior to 30 April at the price it was sold. After that date the grain can no longer be reclaimed, because it is going to be under the authority of the TIG, i.e., the Reserve Management Directorate, which is part of the Ministry of Industry and Commerce. Two things prove

that in reality there is no shortage. First, there were quite a lot of people willing to sell, and second, no indication has been received so far of anyone wanting to enforce his right to repurchase the grain he sold. I will note here that there also exists a 150,000-ton state reserve, which does not amount to much compared to an annual consumption of between 1.5 and 1.7 million tons, but it certainly would be enough to resolve suddenly occurring problems.

[Szendrei] Accordingly, do you firmly state that we need not be concerned about a shortage of wheat, and that there will be enough bread in the country?

[Jellen] Yes.

**\* Relative Support for Walesa, Olszewski Compared**

93EP0175A Warsaw GAZETA WYBORCZA in Polish  
27 Jan 93 p 13

[Article by Tadeusz Szawiel, a sociologist at the Warsaw University Institute of Sociology: "Olszewski's Party, Walesa's Party: Had Lech Walesa Established a Presidential Party and the Parliamentary Elections Been Held a Month Ago, It Would Have Come in Third, After the Democratic Union and the Polish Peasant Party"]

[Text] President Lech Walesa has been saying now and then that he keeps on trying to "fit himself into the parliamentary system," that he does not want to interfere with the political parties, and that he wants to afford democratic institutions the opportunity to consolidate, but that he will rely on his own base of political support should national affairs, in his opinion, not fare well. But the response of politicians is skeptical: A presidential party would have no chance.

But, while the president has been merely mentioning such a party, the formation of the Coalition for the Republic began practically at the moment of the collapse of the Jan Olszewski government on 4 June 1992.

The potential electorate of the party of Olszewski, Parys, Macierewicz, and Romaszewski has not been growing, even though new major political figures have been joining this grouping month after month. At the same time, there exists a constant "presidential party" electorate, even though, since May 1992, when Lech Walesa declared that, under certain circumstances, such a party might be formed, this has been a politically "dead" topic.

It also is noteworthy that, among people polled about their party preferences, only every fourth respondent was ready to switch. That means that, by and large, voters remain faithful to their parties.

Who are the people ready to place their political hopes in either a presidential party or Olszewski's party?

Among the supporters of the presidential party, there is a slight predominance of women (55 percent), and, among supporters of Olszewski's party, men (56 percent).

The average age of the putative presidential party's electorate is 45 years, and that of the electorate supporting Olszewski's party 41 (compared with 40 years for all other parties). Every fourth supporter of the presidential party is more than 60 years old. In both electorates, the proportion of young people (15-24 years old) is low: 16 percent each. Those findings conflict with a poll taken in December 1992, when young people accounted for 41 percent of Olszewski's party and 21 percent of the presidential party.

The educational level of those respondents who would be ready to support those new parties faithfully reflects the educational level of the Polish public: 70 percent have, at

most, a vocational background, and 30 percent a secondary or higher background. Similarly, too, 64 percent are urban dwellers, and 36 percent live in the country.

Both electorates differ in their employment: 25 percent of supporters of the presidential party work for state plants and 20 percent for private ones, while the corresponding figures for Olszewski's supporters are 34 percent and 14 percent.

The supporters of the presidential party included more orthodox Catholics—30 percent (compared with 17 percent of the supporters of Olszewski's party)—as well as more practicing Catholics, 60 percent (compared with 40 percent of the supporters of the former prime minister). Likewise, in the poll taken last December, the presidential party had more supporters among orthodox and practicing Catholics.

Thus, the presidential party's electorate includes more elderly people, somewhat more women, more orthodox Catholics, more practicing Catholics, and more people employed by private companies.

But perhaps the greatest difference between the two electorates in the summer of 1992 was the degree of acceptance of the direction of changes in our country.

As many as 40 percent of the respondents who would like to vote for Lech Walesa's party believed that "this country is progressing in a good direction," while only 15 percent of the supporters of Olszewski's party expressed a similar view. A substantial majority (72 percent) of the potential voters for Olszewski's party believe that this is a bad direction of changes. This view was shared by 46 percent of the supporters of the presidential party.

Unexpectedly, it thus turned out that the potential presidential party was extremely proreform-oriented (more even than the electorates of other groupings taken together), while Olszewski's party was a haven for malcontents.

But, by December 1992, the situation changed: The percentage of those accepting the direction of changes among the supporters of both parties came close to the nationwide average (23 percent).

About two-thirds of the sympathizers of both parties are supporters of the groupings represented in the present Sejm. Which of these groupings would lose most supporters to the potential presidential party, and which to the potential party of Olszewski?

The groupings that would lose most of their supporters—nearly one-fourth—to the presidential party turned out to be the KLD [Liberal-Democratic Congress], NSZZ Solidarity, and the ZChN [Christian-National Union]. In contrast, Olszewski's initiative is a lesser threat to the established parties. Only a part of the electorate of the KPN [Confederation for an Independent Poland] tended to shift its electoral preferences in favor of Olszewski's party.

These new parties are primarily a threat to the existing ones because two-thirds of their electorate would derive from that of the other parties. People who do not vote and the undecided are too little "productive" politically. Only 17 percent of that large category (30 percent of the respondents) declared their commitment to the new parties. Contrary to the expectations, little reliance can be placed on those who refrained from taking part in last October's elections to the Sejm. It should rather be assumed that most of them will again refrain from voting, not so much because they have no interest in politics as because of their disappointment with the course of events in this country.

The polls also indicate that there is no chance of any of the existing parties becoming the presidential party. The new parties must be started from scratch.

On the basis of these polls, it is difficult to anticipate the results of the future elections.

Interparty coalitions—in the polls, questions about party affiliation were asked—will take part in the coming elections, and thus it is not quite certain whether voters will recognize their parties within one particular coalition or another. Moreover, the political scene keeps changing. When last August Demoskop asked people about the Polish Economic Program party instead of the Polish Party of Beer Lovers, it turned out that, although it was the same party but with a new name, it practically lacked supporters. The popularity of political parties is also linked to particular situations; following the appointment of Waldemar Pawlak to the post of prime minister, the popularity of the PSL [Polish Peasant Party] soared, and, although it subsequently declined, it is still higher than before Pawlak's appointment last June.

Last, the polls have been recording sympathy rather than electoral support. The Democratic Union enjoys greater sympathy than support, while the SdRP [Social Democracy of the Polish Republic], on the contrary, enjoys greater electoral support than sympathy. Despite these flaws, the polls provide a picture of the importance of parties, and especially of their potential voters.

Let us assume that the people declaring their support for the presidential party or for Olszewski's grouping would have actually voted for them. Should this have happened, Lech Walesa's party, in June and July 1992, would have ranked second after the Democratic Union, and, in August, it would have ranked third (being overtaken by the PSL). This seems to be a fairly lasting trend because in December 1992, too, the hypothetical presidential party would have ranked third after the Democratic Union and the PSL. What is more, in that hypothetical case, a coalition of just three parties—the presidential party, the Democratic Union, and the PSL—would have sufficed to gain a majority of votes in both the summer of 1992 and the following December.

Olszewski's party is building its political identity by proclaiming its support of the identification and dismissal of the former communist informants and the *nomenklatura* still holding government posts.

In contrast, Lech Walesa sharply protested against the manner in which the then Minister Antoni Macierewicz implemented the Sejm's "lustration" resolution. To what extent does the electorate of both parties reflect the views of their leaders?

In the June 1992 poll, 62 percent of the electorate of Olszewski's party (which at the time was thought to be Parys's party) believed that Minister Macierewicz did right in disclosing to the Sejm materials from the Interior Ministry's archives, but 33 percent believed he was wrong. A majority of his supporters (58 percent) also thought that the president should not have recommended Olszewski's recall, but nearly one-third believed that Lech Walesa was right in doing so.

Among the supporters of the presidential party, 47 percent supported Macierewicz but 29 percent thought he was wrong to disclose the archives of the Interior Ministry. At the same time, only 6 percent thought Lech Walesa was wrong to demand Olszewski's recall (83 percent of the supporters of the presidential party believed that he was right). It can thus be concluded that the evaluation of the Olszewski government was influenced not just by the conflict about the lustration.

Another slogan identifying Olszewski's party was decomunization. Its supporters in the summer 1992 poll mostly (60-74 percent) mistrusted the institutions of the state—the Sejm, the Senate, the president, and the government. Fewest of them (26-35 percent of the respondents) declared their trust in those institutions. In contrast, Lech Walesa's electorate for the most part declared its trust in these institutions (49 percent trusted the Sejm and as many as 84 percent trusted the president), and fewer of them mistrusted these institutions (16-46 percent). The electorates of all of the other parties were situated in between these two groupings.

The polls thus point to the existence of a potential social base of support for both the presidential party (to a greater degree) and Olszewski's Coalition for the Republic. But, once these parties are established, how influential will they be? I believe they will have problems owing to the nature of the leading supporters of both Lech Walesa and Jan Olszewski because both have in common the lack of ability to build a lasting consensus. Yet, that is what political parties are and must be, especially if they are to be effective.

\* \* \*

The following sample nationwide polls of Demoskop were used in this article: June 1992, N = 980; July 1992, N = 964; August 1992, N = 967; December 1992, N = 990. For some of the analyses, the summer 1992 polls were combined.

**\* Balcerowicz on Current Government Concerns**

93EP0176C Warsaw RZECZPOSPOLITA  
(ECONOMY AND MARKET supplement) in Polish  
26 Jan 93 p 1

[Article by K.J.: "Balcerowicz's Fundamentals and Tricks"]

[Text] *"Monetarism is not a dirty word, and true Keynesians can only be found in Poland," said Monday's guest at the Rzeczpospolita Club, Prof. Leszek Balcerowicz. "And there never were any Keynesians in the West who said that doubling the money supply would double production. Forcing more money on people than they want is like pushing a wagon with a string."*

According to Balcerowicz, this is a very popular trick that is sometimes pulled on people. There are also others:

- Pushing a state into an area of its natural incompetence, particularly when a lean state apparatus is forced, under the pressure of enterprises, to engage itself in their matters in great detail.
- Closing oneself off from the outside world.
- Economic policy resulting from pressure from different groups.
- A sudden reduction of interest rate on credits, without regard to what will happen with inflation and the interest rate on deposits.

All of these tricks will not replace the fundamental, Balcerowicz said.

Yes, it is true that a base is obvious, except that sometimes it is difficult to create it:

- As clear a liberal law as possible—that is, a law that provides that economic returns do not depend on the state's whim, on whether it gives a preference or not. A liberal law gives all entrepreneurs a chance to prove themselves.
- Entrepreneurial freedom.
- A competition that cannot be replaced by any mechanism of administrative stimulation, by any industrial policy.
- Opening up to the world: freedom to import so as to be able to have freedom to export.
- Stable money and a hard and fast budget.

Our guests wanted to know the details. And so they asked:

**What Kind of Deficit?**

"As safe as the one the government today proposes," Balcerowicz replied. In his opinion, a 5-percent deficit in relation to the GDP [gross domestic product] is already unsafe in a country in which high inflation continues to persist. If we neglect to remedy it immediately, the result could be tragic: The current payments will pile themselves on to the old debt connected with the deficit of the past years.

**How To Fight Inflation?**

Gently, as we have thus far, or more energetically, using social consent as a "prop"? In Balcerowicz's opinion, it would be well to enter into something on the order of a macroeconomic pact. But only a few countries are able, through agreement, to establish such elements as: money supply, rate of wage growth, and currency exchange-rate policy. That was successful only in Mexico, perhaps because there is only one union headquarters there.

**Tax the Losses?**

An interesting thing: Not one of the invited guests openly demanded tax preferences. But, regardless of that, the matter of taxes kept coming up. The inefficiency of the fiscal apparatus, the growth of the "gray" market, were pointed out. Even the idea of taxing losses came up,

"There is a certain optimum tax burden," Balcerowicz admitted. "Certainly tax preferences are not conducive to entrepreneurship. The greater the tax differentiation, the more the entrepreneurs engage in activities, which is supposed to force the state to make even greater concessions. That is damaging because it takes up time and energy unnecessarily. That is why, in all highly developed countries, tax reforms consisted of making the system uniform and reducing the extreme rates in personal income taxes."

**What About Unemployment?**

"There is really only one real cost of a market economy—open unemployment—said our Monday's guest. "Everyone who wants a market economy, but without unemployment, is demanding something impossible. Of course, what the acceptable level of unemployment is, is an open matter. But either production is maintained—and a purely socialist system, with the entire overhang of hidden unemployment—or it is abandoned. It is no secret that such a reduction carries with it growth in unemployment.

**Subsidize or Not?**

"When we began to build a market economy, it was hard to point to any good outside examples," said Balcerowicz. "It is a fact that, because of political opportunism, almost all countries in the West conducted a bad agricultural policy—that is, one that is in conflict with the market. We could make use of one only example—a country with a very exotic, for us, name: New Zealand. Those who really want to subsidize food in Poland want to finance something that brings no result: warehousing large amounts of food. They also want to subsidize foreign consumers for buying something Polish at a reduced price. Without question, this is a faulty policy, which does not mean that agriculture should not have its own policy. Its main elements are:

—Stabilizing fluctuations of the prices of farm products. That is why the Farm Market Agency was formed—to make intervention purchases. But it cannot undercut prices.

—A strategy toward the countryside, including mainly the creation of new workplaces.

It turned out that our guests were very familiar with the realities, and not just the Polish ones. Examples from throughout the world were cited, proving that we, too, need to put our public finances in order, mostly the tax system (the cadastre system). In this case, Balcerowicz had no choice but to admit that they were right.

#### \* Economic Decrees Maintain Reform Course

93EP0176B Warsaw *RZECZPOSPOLITA (ECONOMY AND MARKET supplement)* in Polish 29 Jan 93 p 1

[Article by D.E.: "Third Government, Same Matters"]

[Text] Better late than never, commented President Lech Walesa on the decision of Prime Minister's Hanna Suchocka's government to ask for the right to issue orders that have the binding force of law—in other words, decrees. This is already the third government that would like to speed up changes in the economy with the help of decrees. However, if we compare the matters the previous and present government wanted to settle by this accelerated legislative method, we find that they are the same.

#### Ministry of Agriculture and Food Economy

Deputy Minister Piotr Dabrowski: We believe it most urgent to establish rules for licensing economic activities in foreign cooperation. The justification for this is the Hodimpex scandals, which caused farmers to lose several hundred billion zlotys [Z]. Other urgent matters include regulating the system of managing state property, including the issues of land privatization and the agricultural environment. Still other matters are state guarantees for farm producers and principles for establishing prices, as well as the creation of conditions to restore cooperatives in the countryside. By way of decrees, we can also define the principles under which the Farm Credit Agency—to be formed—will function.

#### Ministry of Finance

The ministry would make use of decrees primarily in applying laws on the taxation of tobacco products and the labeling of products subject to Treasury excise duties. Applying excise duties to gasoline and spirits products will increase the income to the State Treasury without imposing new taxes. The Treasury would obtain Z4,000-5,000 billion from sales of alcohol products in this way.

#### Ministry of Communication

It is essential that there be an accurate description of the radio communication network and its equipment and a precise description of the functions of the State Radio

Communication Agency. Another matter is that of the "flooding" of the market with telecommunication equipment from various sources, without official certification. Following the example of other countries, we want to accurately describe our requirements in this field. The law provides that numbers and frequencies are assigned or obtained through a competitive process. That is a very vague description. Replacing the word "competitive" with the word "bidding," for example, would clear this up.

Over the long term, the ministry wants to bring about the passing of new laws—on telecommunication and the postal service.

#### Ministry of Environmental Protection

Waldemar Flisinski, director of the environmental protection minister's cabinet: Five proecology laws should be put in the form of decrees. This year still, the following should go into effect: the law on fishing rights, the law on water rights, the law on extreme endangerment of the environment, and draft regulations on geological and mining rights. The ministry hopes that a decree will also be issued on the "law on changing the law on the protection and shaping of the environment," taking into account the decisions of the Washington Convention and draft regulations on the law on wastes, a basic document in legislation on the ecology.

#### Ministry on Foreign Economic Cooperation

For this ministry, the most important matters requiring immediate change are border traffic, the customs law, and the promotion of the Polish economy abroad.

If border traffic is to be made more efficient, the customs law must be amended, including duty rates on some goods. If the Customs Office, according to plan, should be assigned to the Ministry of Finance, the Ministry of Foreign Economic Cooperation would be responsible for customs policy.

Another problem is the reorganization of foreign trade centers. The ministry wants to spread the burden of promotion to two institutions. In addition to the trade counsellor offices now functioning, centers operating on the "trade center" principle would be established. Those centers could conduct economic activity and would be subject to economic self-management. The Office of Trade Counsel would continue to conduct global economic promotion, and the new centers would concern themselves with intermediation in establishing contacts between interested firms.

#### Ministry of Ownership Transformations

We would probably make only one proposal: accelerate the law on universal privatization and National Investment Funds. Work on this draft was completed in a subcommission appointed by three Sejm commissions—Ownership Transformations, Legislative, and Budget—

Pawel Kwiatkowski, press spokesman for the Ministry of Ownership Transformations, said.

#### Ministry of Transportation and Navigation

The minister of transportation and navigation, Zbigniew Jaworski, believes that four problems his ministry is contending with should be solved by law in the form of decrees. The first pertains to rail transportation and restructuring the State Railroads, which also requires a change in the laws on hauling rights and railroad lines. The second is ownership transformation of the State Airports Enterprise. The third relates to the reform being made in the state administration; changes in the law on marine areas and marine administration are anticipated. A new law on public roads is also urgently needed.

#### Ministry of Land-Use Management and Construction

The ministry would like to put into effect by decree five laws (including executive acts) that make up "a set of housing laws":

- On supporting housing development, forming a National Housing Fund and a State Housing Agency, establishing the principles of the functioning of public housing construction, giving tax relief to construction investors and the recipients of their work, and defining the principles of the participation of the state and self-managements in creating a system for granting housing construction credits.
- On ownership of housing, establishing ownership rights of housing premises, and necessary changes in the civil code, the cooperative law, and the labor law.
- On the leasing of housing and the rights and duties of both parties, a law that will establish the principles of leasing housing, the rights and duties of owners and lessees, and the principles of fixing rents.
- On public assistance for those leasing housing, a law that will define the principles and procedures for granting housing allowances.
- On the creation and functioning of housing savings and loan associations.

#### Ministry of Industry and Trade

The following decrees should be employed: in creating a State Treasury institution that will manage state property, to accelerate and simplify ownership transformations in enterprises; in organizing and managing state firms and in solving problems relating to the restructuring of the fuels and energy sector.

#### Minister for the Promotion of Entrepreneurship, Zbigniew Eyssmont:

—My field of activity as head of the cabinet covers all those decrees that pertain to economic matters. I have no special wishes; the size and scope of what the government proposes is completely acceptable to me.

[Box, p I]

#### Proposals From J.K. Bielecki and Jan Olszewski

- Ministry of Transportation
  - Reconstruction of State Motor Transport.
  - The privatization of Polish Air Lines.
- Ministry of Land-Use Management and Construction
  - The law on construction.
  - The law on bidding on construction jobs and supplies financed out of funds from the State Treasury and gmina budgets.
  - The law on the creation of an office of the minister of housing and land-use management, a State Housing Agency, a Main Office of Land-Use Management and Construction, and a Main Office of Land-Surveys and Real Estate Cadastre.
- Ministry of Ownership Transformations
  - Quicker sales of enterprises through bidding.
  - Expansion and acceleration of the "liquidation path."
  - Regulations that pave the way for universal privatization, reprivatization, and foreign capital, and enable the registration of foreign investment funds.
- Ministry of Industry
  - Simplification of the enterprise liquidation procedure.
  - A Change in the law on creating an office of the minister of industry and trade.
- Ministry of Foreign Economic Cooperation
  - Normalization of the customs law.
  - The law on normalization, examination, and quality certification.
- Ministry of Communication
  - The law on the management of farmlands owned by the State Treasury.
  - The law on the protection of farm and forest lands.
  - The law on a state monopoly on spirits.
  - The law on the protection of cultivated plants.
  - The law on farm animal husbandry.
  - The law on state veterinary supervision.
  - The law on farmland reclamation.
  - The law on equipping the villages and farms.

#### \* Economic Analysis Predicts End of Recession

93EP0174A Warsaw *POLITYKA* in Polish No 6, 6 Feb 93 pp 1, 16

[Article by Jerzy Baczynski and Jacek Mojkowski: "About Zero: Has the Economy Grown or Not?"]

[Text] Has it grown or not? That is the question. For several weeks now, economists have been racking their brains over the performance of the Polish economy in 1992. The government believes there are reasons for

optimism, and a "turning point" and an "emergence from the recession" are even being mentioned.

Political opponents are arguing that the growth of the economy, such as we allegedly recorded last year, is within the margin of a statistical error and most certainly a consequence of that error.

GUS [Central Office of Statistics] statistics published last week will certainly magnify doubts instead of dispelling them. For what does it mean that the GDP [gross domestic product] increased by 0.5-2 percent? Assuming fluctuations within 1 and ½ points, might it not mean that national income declined rather than increased? Thus, the hypothesis that we are hovering at zero growth might be closest to reality. But, in our conditions, that would still be a positive sign.

Let us recall the economic forecasts made less than a year ago. The then Minister of Finance Andrzej Olechowski declared, on the occasion of the public presentation of the 1992 budget, that the functioning of the state, the stability of the currency, the growth potential of the economy, public tranquility, Poland's reputation abroad, and even the very process of reforms are being endangered. The main assumption of economic policy for 1992, Olechowski stated, was to attain zero output growth.

At the time, that seemed like a pipe dream. That was because, in January and February 1992, industrial output was 14 percent lower than a year previously. Thus, achieving "zero growth" required a 3-percent increase in output during the remaining months of 1992. It would be interesting to know if anyone had believed in that economic miracle. Yet, the miracle happened.

We say "miracle" because, on observing the course of economic events in 1992, the impression is produced that the drastic transition from a decline to a rise in output took place "without human participation"—by itself, as it were.

The Jan Olszewski administration was able to accomplish practically none of its vague predictions of an "antirecession policy." And, properly speaking, no one knows what was more lacking—time, money, or a plan. The only major measure in the macroeconomic domain was the 12-percent devaluation of the zloty [Z] in February 1992.

Ministers of Finance Olechowski and Lutkowski firmly insisted on curtailing the budget deficit and would not let the economy be primed by printing more money. They also did not allow the dismantling of the mechanism of compulsion established by Balcerowicz as regards enterprises (a tax on wage increases, an assets tax, relative freedom for foreign competition, and so forth). Andrzej Topinski, the former head of the National Bank of Poland, claimed that the increase in output in 1992 took place despite, rather than because of, the economic policy, which, "being entangled in the disputes and

compromises of the governing coalition, could not markedly affect the course of the economic processes." That opinion sounds convincing.

Thus, if it is to the credit of the successive governments that they did no harm, what mechanism endowed the economy with momentum? Before looking for an answer to this question, let us consider whether the thus expected growth in output did indeed take place last year.

According to GUS figures, the increase of 0.5-2 percent in the GDP was chiefly due to the 4.2-percent increase in industrial output. That should be an impressive accomplishment considering that, as recently as March 1992, CUP [Central Planning Administration] had forecast an 8-percent decline in output (and a 5-percent decline in GDP). Thus, if the statistics tell the truth, we are the only country in Central-East Europe where forecasts made in the beginning of the year were revised upward instead of downward. In Hungary, the Czech Republic, and Slovakia, the initial optimistic expectations of a halt in recession were superseded by estimates of a 7-10 percent decline in output. Well then, has our economy grown or not?

Several well-known economists (Lutoslanski, Kurowski, Rakowski, Borowski) are questioning the credibility of the GUS figures. In their opinion, the recorded increase in output is due chiefly to transactions among the enterprises as financed by loans or mutual debts. How could sales have risen, they ask, in view of the decline in real household incomes and real investment outlays, the severe budget deficit, and the dwindling dynamism of exports? Who, then, would be buying that additional output?

Those doubts were addressed (in ZYCIE GOSPODARSTWA) by, among others, Witold Dziewaltowski of GUS and Andrzej S. Bratkowski. In their opinion, the pessimists are disregarding, among other things, the marked shift of manufacturing to the sector of small and medium-sized enterprises (employing up to 50 persons each), the changes in the structure of output (in favor of more modern products of greater worth), the decline in the inventories of finished products, the increase in the imports of producer goods that enhance the value of sales, and so forth. But both sides agree that our statistics are highly imprecise. Still, it would be difficult to deny that the decline in output has halted and that in some months we attained a veritable Japanese growth rate (for example, 9.5 percent in October).

#### After the Shock

Let us now consider the next question: If the economy has grown, why? The answer is of absolutely fundamental importance in evaluating the condition of the Polish economy and its prospects in the coming years. Ryszard Bugaj, the newly elected head of the Labor Union party, is of the opinion that the causes of the revival are traceable to exports, improved protection of the domestic market, and, paradoxically, the rise in the

inflationary expectations of the public, which prefers to buy now, without waiting for prices to increase. Bugaj is surely largely correct: Following the February 1992 devaluation of the Z, exports (until last September) kept surging, thus becoming, if not the locomotive, then at least the tractor of growth.

In addition, there are the new higher customs tariffs introduced in the fall of 1991, which, together with some tightening of border controls, improved the competitive position of domestic producers (prompting them to, among other things, sell out their inventories).

On the other hand, one can doubt whether consumer cash spending did really increase drastically, in view of the marked growth of personal savings (by more than 77 percent). Even so, especially in the second half of 1992, the money supply on the market swelled considerably. In mid-1992, salaries of budget-unit employees were raised (at the time 2 million employees received increases of Z1 million each, which totals Z2 trillion), and farm incomes rose owing to the price increases caused by the drought. In addition, budgetary spending increased markedly (until last summer the deficit was artificially underestimated).

Foreign observers (Morgan Stanley Bank, Solomon Brothers group, and others) who, in recent months, published laudatory reports on the changes in our economy view the considerable role of the private sector in Poland as the principal cause of growth. In 1992, that sector generated about 50 percent of Poland's GDP, compared with 35 percent in Hungary and 23 percent in Czecho-Slovakia.

In the opinion of the Morgan Stanley Bank, the worst for our economy is already behind. In three years, Poland will be the fastest growing country of East Europe, and Western capital will "compete for the chance to invest." Such practically suspicious optimism found its rather unexpected confirmation in the report of the professional U.S. periodical EAST EUROPEAN INVESTMENT, according to which Poland, as early as in 1992, moved to the forefront in Central Europe as regards size of foreign investment (\$4.1 billion, or 44 percent of total investment in the region), far ahead of Hungary and Czecho-Slovakia (\$1.5 billion each). According to foreign reports, the shock therapy of the Polish economy begun in 1989 is beginning to produce fruit. The shock is over, and the government's squeeze on the enterprises has finally compelled them to streamline production, with results that are by now evident.

#### A List of Uncertainties

Assuming that output in 1992 did increase, after all, and that there exist several explanations for it, we now have to pose the next question: Does that increase in output signify the beginning of steady economic growth, or is it a temporary anomaly?

Here, too, opinions are strongly polarized. In our opinion, last year's performance, although much better

than expected, does not provide grounds for excessive optimism. Despite the growth of labor productivity, the financial situation of enterprises continues to be poor. Last year, the growth rate of operating expenses exceeded that of revenues, and the average profitability (3 percent) was lower than expected.

The scale of credits available for the economy has dwindled, and that should be attributed to the persistence of high interest rates and the need to finance the budget deficit. The number of enterprises with uncreditworthy status has increased. The level of investments remains low.

Thus, there exists a grave peril that the Polish economy may contract the disease called stagflation: zero or minimal output growth in the presence of continuing high inflation, growing structural unemployment (which some forecasts put at as much as 20 percent of the labor force), and growing national debt—symptoms characteristic of the countries of Latin America.

This list of problems should be expanded with the growth of the so-called underground economy, which is not reached by taxes and statistical analyses. Its scale is estimated at about 20 percent of the GDP. It consists of concealed profits of private enterprises, unreported earnings of the unemployed and pensioners, and so forth. The existence of that underground economy prompts many economists to argue that the GUS figures are underestimated and the GDP is actually higher than reported in the statistical yearbooks.

There are, of course, in the picture of the Polish economy, certain signs warranting renewed optimism about the consolidation of positive trends. They include principally the dynamic growth of the private sector, the advances in privatizing state enterprises, the gradual elimination of the least efficient producers (restructuring), the partial demonopolization of the economy, and the progressive adaptation of enterprises to new operating conditions.

There also exist justified hopes for a greater influx of foreign investments and credits. All of this, however, hinges on maintaining a firm macroeconomic policy (and one acceptable to the International Monetary Fund).

We do not yet know the scale of the budget deficit in 1993. At the moment, a budget battle is under way in the parliament, with the stakes including agreements with the IMF and the World Bank, the scale of credits for the economy, and, above all, the level of inflation. At present, the pressures for augmenting budget outlays are the greatest peril to the still frail economic revival.

Another major peril is the pressures exerted by various employee groups on raising wages, which are understandable considering that, in 1992, real wages declined by another few percent, and the average citizen gained nothing from this revival. That, too, threatens nourishing the inflationary flame.



The third danger is linked to the tendencies to overprotect the domestic market (especially the food market) against imports, which may stimulate price increases, delay adjustment processes in the economy, and impede exports.

Yet another danger is the collapse of the macroeconomic policy in favor of the restructuring of individual subsectors that compete for special treatment and special relief. Then, too, there are the perils linked to political destabilization because that is by now a permanent element of changes in the system of society.

Above we presented only some of the most obvious perils to the growth of the Polish economy. The diffident signs of economic revival could still be nipped in the bud by the budget deficit and the return of soaring inflation. Let us be glad that we are emerging from the recession, but let us also recognize that we have not yet emerged from it.

After Three Years <sup>1</sup>			
Gross domestic product (in percent)	- 11.6	- 7.6	0.5-2
Industrial output (in percent)	- 24.2	- 11.9	4.2
Inflation (in percent)	586	70.3	43-44.3
Unemployment (in percent)	5.2	10.7	13.6
Budget deficit (in trillions of Z)	+ 2.4	- 31.0	- 69.3
Decline in average real wages (in percent)	- 24.4	- 0.3	- 3.6
Balance of foreign trade (in millions of U.S. dollars)	+ 2,214	+ 51	+ 734 <sup>2</sup>
Employment in private sector, in relation to total national employment (excluding farm employment) (in percent)	33.6	40.3	44.4

<sup>1</sup>Previous year = 100 percent

<sup>2</sup>Until November 1992

[Box, p 1]

#### Barometer '92

- Lowest natural population increase since World War II.
- Increase of 0.5-2 percent in the GDP.
- Budget deficit of Z69.3 trillion.
- 4.8-percent increase in industrial output.
- 20-percent decline in farm output.
- 43-percent inflation.
- 3.6-percent decline in real wages.

—Favorable price index for farmers.

—13.6-percent unemployment.

—One-third of output generated by the private sector.

—10.2-percent decline in housing stock.

—39.5-percent devaluation of the Z.

—Positive balance of foreign trade.

—Foreign debt \$46.9 billion.

#### \* Refinery Industry Restructuring Proceeding Slowly

93EP0176A Warsaw *RZECZPOSPOLITA (ECONOMY AND MARKET supplement)* in Polish 23-24 Jan 93 p 1

[Article by Anna Wielopolska: "Who Will Take On This Task?"]

[Text] Six months ago, the plans to reorganize the Polish petroleum sector aroused a great deal of emotion. Two ministers, five refineries, and the managements of 1,350 gasoline stations quarreled about the future of one of the most profitable branches. The dispute was to have been settled by an interministry committee, whose task it is to conduct the privatization of Polish petroleum.

Initially, two ministries—industry and trade and ownership transformations—submitted competing plans for the restructuring of this sector. The basic difference between both concepts pertained to the capital links of the Polish refineries to the Petroleum Industry (CPN) gas stations. The Ministry of Industry and Trade opted for the creation of companies of this type. The Ministry of Ownership Transformations opposed it. A compromise does not satisfy either the refineries, which had to give up their dreams to own their own retail network, or the CPN, which must give up some of its stations. But restructuring stalled for several other reasons.

#### Formal Obstacles

The accepted plan provided that reorganization of the Petroleum Products Center and ownership transformation of the CPN and the refineries was to have priority. But defective legislation stands in the way and does not allow divisions and transformations to be made efficiently. In practice, according to the law in effect, one enterprise can be divided into a few. Then, for each of the new enterprises, a management organ must be appointed (board of directors, council, and so forth), so

as to be able to conduct discussions with them "for the purpose of setting up" a privatization program.

Both ministries, from the beginning of the actions taken to restructure the sector, emphasize the need for making the official procedures more efficient. This capability is recorded in the "pact on an enterprise" as being within the purview of the minister of ownership transformations. But the effective date of the "pact" is constantly being postponed. However, the law on restructuring the power-industry sector, accepted recently by the Council of Ministers, provides some opportunities. True, it does not refer to the petroleum sector, but it creates a good precedent.

#### Materials Obstacles

While waiting for new laws, restructuring was begun on the basis of the existing laws. The minister of industry requested the director of the CPN to prepare a reorganization program. The draft of the restructuring program provided that 60 percent of the gasoline stations were to be sold. The management of the CPN could choose the stations. Despite the fact that two months have passed, the minister is still waiting for a reply. According to the director of the CPN, a program has been prepared, but it is subject to "consultations" with the trade unions. However, the unions—not just the CPN but also the refineries—have ideas that differ from those of the ministries.

The proposal that deviates furthest from the government's plans seems to be that of the Gdansk "Solidarity" refinery employees. According to those union members, all enterprises in the Gdansk area (the giant Gdansk refinery, Petrolbaltic, and gasoline stations) should be combined and integrated into one company. The result of this type of transformation would be a division into a wealthy "north" and the rest of the country, which would generate two systems of prices—lower near the large complex and higher in the rest of Poland. The reason: High transport costs are figured into the price of one liter of gasoline.

Opinions on the subject of restructuring Polish petroleum differ even more, however, among the representatives of the production portion—that is, the refineries. The Gdansk refinery, after having been assisted financially and equipped thereby with modern production lines, seems to be waiting impatiently for a foreign investor. The Plock refinery treats the plans to sell the firm—for example, to Total—with less applause than Gdansk.

#### Personnel Obstacles

The Council of Ministers decided that the restructuring of the entire branch is to be conducted by a group of specialists appointed from several ministries. The most sensitive point of the entire restructuring is privatization. Therefore, the candidacy of the representative of the Ministry of Transformations is now doubtful.

Restructuring of the petroleum sector requires that not only must a system of taxation and tariffs and one for safeguarding stocks be worked out, but also that procedures be developed according to which the large profitable refineries could be sold, as well as the small, but also profitable, gas stations.

Thus far, several people have decided not to take on this task, including Prof. Leszek Balcerowicz. The unofficial candidate for this no-win position is, however, the president's economic adviser, Andrzej Olechowski. But the ministries involved neither confirm nor deny this information, and their representatives remain silent when asked about restructuring.

#### \* Border Radiation-Detection Equipment Discussed

93WP0083Z Warsaw ZYCIE GOSPODARCZE  
(ENVIRONMENT AND LIFE supplement) in Polish  
No 4, 24 Jan 93 pp 13, 15

[Article by Krystyna Panek: "Radioactive Contraband"]

[Text] Major Robert Turp, a licensed British gun dealer, received an offer from Norman Derbyshire, another British man who lives permanently near the Dutch-German border, to transfer from Russia to Iraq 80 kg of plutonium. Both gentlemen had earlier sold guns to Biafra together and recently sold parts of Russian tanks. This time, however, the transaction was illegal.

Turp, after contacting special services, involved journalists in the case. He wanted to not only destroy the plans of the suppliers, but also to use the case for propaganda purposes. Barrie Penrose and Conagh Blackman learned all of the details of the smuggling operation and revealed them in The Sunday Express.

The most important part of the action took place in Varna, a Bulgarian spa that recently became a very convenient transfer port for radioactive contraband from Odessa to the Middle East. Derbyshire's agent, Swedish businessman Gosta Hartman, was unable to be present at the arranged meeting because he had a car accident in Krakow and had to stay in the hospital for two days. He had two assistants, Edward R. and Marek S., Poles who live permanently in Sweden. They had to deliver to the Iraqi Consulate in Varna not 80 kg, but, as it finally turned out, 200 kg of plutonium 239. The supply was to be transferred from a farm near Sofia.

Bulgarians did not want to hand over the tainted product before getting paid. Negotiations were delayed. A sample delivered to the Sheraton Hotel was taken by the Bulgarian security agency. In a strange turn of events, the main participants of the event were able to escape. After his return to Stockholm, Hartman sent Turp a fax with a proposal to meet in Geneva to close the contract and an offer to deliver the goods as soon as the necessary cash is collected.

The Western newspapers are full of reports of attempted smuggling of radioactive materials. Many of those materials are smuggled through Poland. In this procedure, our countrymen are often active participants. Recently, 1.5 kg of uranium was found in a plastic bag in the house of Andrzej P. of Terespol. Five smugglers of cesium and strontium fell into a trap organized in Frankfurt; among them were two Poles. Two other Poles, who delivered earlier samples for analysis in Switzerland, were radiated to death. Among 12 persons recently arrested in Udmurtia (a republic in the European part of the Russian Federation) while trying to smuggle 100 kg of uranium were three Poles.

During the past few months, the German police have conducted about 100 investigations of cases of radioactive contraband; in all of 1991, there were only 30 such cases. News agencies from Austria, Switzerland, Italy, Hungary, Poland, Czechoslovakia, and Romania have reported arrests of smugglers of radioactive materials. Such statistics are certainly a result of the attention focused on this particular issue, but it also says something about an increase of such crimes.

#### **Nuclear Mafia?**

Asked whether we are dealing with a nuclear mafia, the experts' answer is: not yet. These actions do not indicate uniform supervision and armed security guards. Attempts to smuggle isotopes, which are not in demand, at the risk of lives are proof that it is not organized crime. Smugglers believe that everything that makes the Geiger counter jump must be in great demand. But only isotopes needed to produce a nuclear bomb are sought.

Supply increases only when there is demand for a product. Countries of the Middle East that do not have a chance to buy radioactive materials legally are interested in those products. Officially, only the United States, Great Britain, France, China, and states of the former USSR own nuclear weapons. It is suspected that such weapons are also possessed by India, Pakistan, Israel, and South Africa. Experts assume that countries like Germany, Switzerland, Japan and Taiwan, which possess highly developed technologies, would be able to produce a nuclear bomb in a dozen or so months. Among countries that would like to join the club of owners of nuclear warheads are Iraq, Iran, Syria, Algeria, both Koreas, Argentina, and Brazil. At least it seems so because the UN has information that Saddam Husayn has all of the data and components necessary to produce a nuclear bomb.

Besides the Middle East countries, all sorts of terrorist groups are potential buyers of radioactive materials. In their hands, isotopes can be used not necessarily to produce weapons but to force officials to make favorable decisions by threatening direct radiation of people or the pollution of water or food supplies, for example.

Demand for illegal supplies of radioactive materials has existed for a long time, but only with the collapse of the Soviet Union did the supply on the black market

increased alarmingly. A lack of control of radioisotopes can threaten world peace and security. It is not surprising, then, that the German minister of foreign affairs addressed a request to Eastern countries for tighter border control. In Poland, Prime Minister Hanna Suchocka formed an interdepartmental team to investigate the state of radiation security in our country. According to Wojciech Swiatek, of the State Environmental Protection Inspectorate, it is very important to control things where they start, which means that supervision over the distribution of radioactive substances is necessary in order to eliminate the possibility of acquiring such materials illegally. The catastrophic economic situation of the countries formed on the ruins of the Soviet Union means that those desperate people are ready to trade everything. Corruption of officials and Army officers is the reason this particular area is the biggest supplier for the black market. Worse, companies that offer nuclear services entirely legally, like CZETEK and MENEP, have emerged out of the wave of initiative in the CIS [Commonwealth of Independent States] and help in contacting Russian atomic experts.

#### **What Is Hidden in the Barracks?**

Can Poland be a source of illegal export of isotopes? Despite calming statements from nuclear security services, I think yes. Until now, full information on the storage of nuclear weapons in former Russian bases has not been obtainable. But only two Russian army bases have been investigated in order to check radiation levels. Director Stanislaw Latek, of the National Atomic Energy Agency, believes that a request for such measurements must come from local officials, which have not shown much interest. The example of the two farmers who bought two containers of cesium from Russian soldiers from the Soviet base at Borne-Sulinowo should force new users of the bases and those who supervise the departure of the Russian army to be on increased alert. The airport in Legnica, which the Russians use and over which our police have practically no control, is a potential transfer place for any kind of contraband.

In our country, various isotopes are used for medical, scientific, and industrial purposes. Our nuclear energy control service believes that those sources of radiation are recorded and under strict supervision. It excludes the possibility that the disappearance of nuclear materials could be concealed. But it does not eliminate the possibility of theft, of course. Such things do happen, and the stolen isotopes cannot always be recovered.

From a report on supervision and control in the area of nuclear safety and radiation security, published in 1992, we find out that, in 1991, 11 containers of isotope preparations disappeared from a Polatom truck; a container of cobalt 60 from the Nowiny Cement-Lime Plant was stolen; and one of six neutralizers, containing plutonium 239, was lost during the liquidation of the Knitwear Industry Plant in Lodz.

It is also unknown where the transport to the Ostrowiec steel mill, containing scrap contaminated with cesium, came from. It could just as easily come from contraband as from a local source. The cesium did not get into the melting stage because it evaporated at 400 degrees Celsius and got into the dust. It was discovered because cesium blocked the isotope dust transmitters. Today, it is not causing problems, but the fact that such an accident took place at all is not a good example of our nuclear security.

If the isotopes get into the wrong hands, the next place that enables us to stop uncontrolled transit is the border. Border guards are trained to take dosimetric measurements, and the border points have special portable devices. But controlling every car with this system is impossible; it takes a long time and would completely block the border roads. In practice, only suspicious transports are investigated. The only means of border control that works is the placement of special gates to measure the radiation of every passing vehicle and signal every violation of the permitted level automatically. The problem is that such devices are very expensive and, according to the division of duties and responsibilities, should be purchased from voivodeship funds.

I do not recall any cases where local officials have asked for subsidies for this purpose from the foreign funds designated for assistance in construction of border checkpoints and the modernization of custom procedures. They tried to convince me that radiometric gates should be placed on the entrance side; in such a case, we could not count on any donation because the sponsor would not get any advantages from such control and, worse, such a setup might even cause problems.

#### **A Dam for Nuclear Waste**

For us, the smuggle of radioactive materials is not only export to the West. An equally great threat is the import of raw materials and the illegal import of waste that contains radioactive elements. Appeals from the West to stop the uranium contraband and increase border alert are not linked to better control of radioactive contraband from West to East. After limiting the possibilities of storage of "glowing waste" in developing countries and in the former East Germany, we became the most convenient, closest storage place.

It is true that our country has a law prohibiting the import of nuclear waste, but there is always the possibility that some companies will import radioactive waste, under cover of import of some raw materials. It is worth it to pay the buyers in Poland generously because the costs of utilization of nuclear waste are much higher in the exporters' homeland. The threat will probably increase after the implementation of a liberalized bill on the import of wastes, which provides the opportunity for legal import of nuclear waste after obtaining the permission of the general inspector for environment protection. The only way to prevent the smuggle of radioactive materials across borders is the permanent automatic control of all transports.

The first devices to measure radiation of vehicles were installed free by the producers—the French firm Nardex and Polon-Zelmech from Zielona Gora in Poland. The border guards say with satisfaction that the Polish UK-1 device passed the test better in normal use conditions. It turned out to be more sensitive and efficient. It was able to control well even vehicles that moved at higher speeds. It is also easier to conduct checkups and repairs.

Already, in the first few months of the use of radiometric gates, several dozen radioactive transports were discovered. They included ores, zirconium silicate, argilla, bricks, chamotte dust, sodium hydroxide, and sodium carbonate. The border guards also observed that some transport vehicles that had earlier crossed the border regularly simply disappeared after installation of the gates. This was the case for technical plaster, for example, offered to Polish buyers at the attractive price of 2 German marks per ton. Maybe the exporter chose another, uncontrolled point to cross the border? Until similar gates are installed at all checkpoints, there is no way to improve the security of our borders.

We have 23 road checkpoints, 27 railroad checkpoints, four sea checkpoints, and five air checkpoints in our country. So far, besides the Swieck checkpoint, automatic radiation-detection devices have been installed in Olszyna and Zgorzelec. Soon more gates will be working in Gubin and Dorohusk and five other towns (see chart [not reproduced here]). Polon-Zamech can produce 50 such machines a year. The rate of installation depends on funds that the border voivodships will be able to assign for such investments. The price of one gate is approximately 200 million zlotys.

**\* Outgoing UDMR Chief on Party Unity, Congress**

93BA0540A Bucharest "22" in Romanian 21-27 Jan 93  
pp 6-7

[Interview with Geza Domokos, president of the Democratic Union of Hungarians in Romania, by Andrei Cornea; place and date not given: "Romania Is Not a Reactionary, Nationalistic Country Incapable of Change"]

[Text] [Cornea] Mr. Geza Domokos, this is the second day of the UDMR Congress. How do you interpret what has taken place so far?

[Domokos] Even though we are not yet halfway through the proceedings, the congress already has gone beyond the framework that we had in mind, but it has done so in a positive sense. We no longer have just a forum for debating certain drafts or documents. The congress did not merely confine itself to electing new leaders and defining a new UDMR [Democratic Union of Hungarians in Romania] strategy; instead, for a few hours anyway, it became a place for encountering ideas and political options of a broad nature and perspective for the region in which we live. I am referring to the speeches given yesterday that occupied almost the entire agenda. From the podium, a series of speakers brought us their greetings, beginning with the Brasov judet prefect and ending with representatives of different political and apolitical organizations in Romania. We had high-level representatives of political parties and of political and civic organizations from Romania and Hungary. I think it was a good idea for the congress presidium to allow these representatives to speak. This is where we want to go. Because, listening intently to the speeches—and of course, they represented different concepts and varying ideological perspectives—ideas of democracy, of solidarity, of dialogue in the spirit of tolerance and civic values, were themes common to all the presentations. I believe that in this part of Europe where we have such conflict and misunderstanding—which have even taken on tragic forms—the congress was transformed into a meeting place for these ideas and a possible model for exchanging experiences and opinions concerning a very real problem today not only in Europe and not only in southeastern Europe—of relations between ethnic groups, and linguistic and religious minorities. This is why the congress has been more than we hoped for and why we are very satisfied with its progress.

[Cornea] Specifically, can we interpret the overwhelming presence of CDR [Democratic Convention of Romania] leaders, including Mr. Emil Constantinescu, as a message of solidarity, as a way of saying to the Hungarian minority, "You are not alone?"

[Domokos] I think that this message was very clearly formulated and that it was received as such. It was the voice of another Romania. It was the indication of a path which I am convinced we will take to reach our goal—a

democratic Romania organically integrated into European democratic structures. The congress delegates received this message. I believe that in recent times many of the attacks on the CDR began as attacks on the UDMR. According to the old Leninist concept, you should always attack at the weakest point. To their way of thinking, this "weakest link" is the UDMR because here public opinion can be most easily manipulated. The issue of territorial integrity, of the allegiance of Transylvania, of the loyalties of the Hungarian minority, is an issue of serious concern to the Romanian public; there is great sensitivity here. Thus it represents a very good theme for propaganda and for dividing and manipulating society. The CDR resisted this pressure. The UDMR combatted the same tendencies of groups within the party that tried to argue that even the Convention did not address sufficiently certain essential matters regarding the nationality problem; that it was weak and that it avoided taking a clear stance on this question for fear of alienating voters. They said that it was not wrong to be part of the Convention, but that we should not have any illusions in this regard.

[Cornea] Speaking pragmatically, don't you think that it would have been better—of course, with an understanding in principle on general matters—if in the last elections, the UDMR had not been part of the Convention? That way, the Convention would have attracted more voters while the UDMR would have retained its same numbers.

[Domokos] No. Remember that in the Convention protocol it was stipulated very clearly that there was a political convention which included the UDMR and an electoral convention which did not; there were separate electoral lists and a separate campaign.

[Cornea] But from a practical point of view, people did not understand the distinction and the UDMR was considered a part of the CDR.

[Domokos] The people are not paying attention. That is how I explain the confusion. Indeed, I received letters from well-intentioned Romanians, democrats, who were not necessarily members of any party in the Convention, nor were they members of opposition parties, who nonetheless wanted to bring up certain ideas. They asked if it would not be better if we put some distance between ourselves and the Convention, or even if we should separate completely. I thought long and hard on this issue. I tried to look at it objectively, but I concluded that had we done this—which perhaps would have had some benefits in the election—it would have cost us credibility where it counted the most, on matters of principle. I am convinced that the CDR, even as it is today, insufficiently articulated, with a methodology insufficiently thought out, with a social program not sufficiently articulated, and with a leadership structure still now being clarified, is nonetheless the only alternative. We understand this very clearly and we want to play a constructive role in this alternative. Outside of this alliance, there is no way to work with democratic Romanian forces. If we

leave the Convention, there is the danger that those forces in our party that want us to devote more attention to our own issues, namely, defending the interests of the Hungarian minority, and less attention to general policy, will come to the fore. And I am afraid that if we turn inward and become preoccupied with our own problems, there is a greater chance that we will become isolated from the great issues of society.

And another thing. I note that in the West, and abroad in general, there is recognition of this alliance between the UDMR and the CDR. It is a very good argument, the fact that overall, Romania is not a reactionary, nationalistic country, incapable of change, or of democratic thought. This image, unfortunately, is widespread. Look at the opportunities for opening avenues of cooperation and mutual assistance. Professor Emil Constantinescu told me what a good impression it made in Italy when he announced during a televised discussion that was to take place in two sessions that he would return to Romania for a short time to participate in the UDMR Congress.

Earlier, I referred to the situation in this part of Europe where we live, and especially the tragedy in Bosnia-Herzegovina, in former Yugoslavia. At a time when the world is traumatized by the news and the pictures and the information it is receiving of the dimensions of human suffering and destruction and by the irrationality so difficult to keep under control, I am sure that such a gesture of solidarity is especially important here in another European country where there are very serious problems and where the Hungarian minority claims its rights and refuses to accept the Constitution as it is currently written. Look, a person of primary importance in Romanian public life, the head of the CDR, takes some time off from a series of important discussions to participate just for a few hours at this event.

[Cornea] From this same perspective, what significance do you attach to the fact that there was no representative of the Romanian government, especially as representatives of the Hungarian government and Hungarian political parties were in attendance and especially in the light of the fact that the UDMR is not just an opposition party but an organization of the most important minority in Romania?

[Domokos] We sent invitations to both the president and to the government of Romania. A presidential counsellor was there but I do not have any information indicating anyone from the government was in attendance. I see this as new proof that the government has no clear view or principles regarding this issue. And I think that the government is reluctant to irritate or upset those extremist forces with whom it has entered into coalition. The government did not only accept, but actively solicited their help, and made concessions to them. Now government leaders are prisoners in their relationships with these parties and extremists forces and this seriously limits their options even if they do realize the importance of this moment and understand that this is not just a question of an opposition party but of a social

presence that expresses the will of over a million Romanian citizens and that it would be a good idea to become informed about their concerns.

[Cornea] If I were in their position, I would try a tactic of gaining some goodwill. For my own interests, I would try to break the unity of the Convention by showing the UDMR that there are many reasons why it should adopt a more conciliatory position vis-a-vis the government because that way it could gain some minor local advantages. But it appears that their leadership is totally blind.

[Domokos] After the experiences we have had, I do not think that the UDMR is disposed to accept small gestures when the government, after it was formed, rejected the idea of creating a department for minorities and has shown that it is not at all concerned about legislation on the status of minorities, a law that we have pushed for repeatedly and consider necessary. They start from the erroneous premise that because ethnic minorities account for only 10-11 percent of the population, this issue is not important. They do not realize that this is not just a problem of numbers but one of coming to grips with reality. In the current situation where extremist forces are gaining ground every day; where they are becoming more prominent in the government-controlled media, and are becoming more aggressive in the legislature, the government does not dare—nor, do I believe, does it want to—put a brake on these forces. So that is why I have the impression that today we are not honored by their presence here.

[Cornea] In the draft of the UDMR's program of basic principles—which is under discussion now—there are some statements which have already provoked discussion and I must confess that for me there are many points which are not very clear or, in any case, are very ambiguous. For example, "guarantee the self-organization of national groupings so that in all matters regarding a grouping's internal affairs, the grouping itself makes the decisions." What does that mean?

[Domokos] This is a very well-known principle in European democracies. We are talking about decentralization, about local autonomy. For example, a village school—why should its director be named by the judet inspectorate; why shouldn't the director be elected by the teachers and parents of the community? The same is true for the use of local funds.

[Cornea] I have a question concerning the issues that have been discussed so far. This form of decentralization which is practiced in many places, must it be confined only to ethnic groups—as it appears to be described in the UDMR program—or do you see this valid for any community?

[Domokos] Of course it is valid for any type of community. We said that when we are speaking of community autonomy we understand this concept as an essential element of democracy for all citizens of a country, and that we are not referring only to ethnic communities.

[Cornea] Then why isn't this stated explicitly in the program?

[Domokos] It is not that big of an issue. But there has been some confusing wording. We often have been lampooned for inaccuracies in our translations. I was in the sad situation here at the congress of having to stop the circulation of the Romanian language text because it was so pitifully translated. We do not have a corps of qualified translators who know the specialized terminology in the legal, political and economic arenas. Our translations often suffer from improvisations.

Now we are discussing the program text. Don't forget that these are extracts, the basic principles. They must have maximum clarity. Our community accepts the idea—I hope—that the issue of our rights, their guaranty and acceptance, cannot be isolated from the general framework of Romanian democracy, or from the economic situation, the spirit, and mental outlook of the society as a whole. And this must go both ways. I hope that Romanian society will understand that it is very difficult to have liberty, civil rights, well-being, and a sense of normalcy if you do not guarantee the different groups—with other traditions, other ethnic backgrounds, other cultures—their rights. But what are we going to do if at some point we observe some activity different from the norm? What will happen if, say, the Hungarians in Transylvania, or the Romanians of Transylvania for that matter who have inherited their own unique traditions, come up with some unique formulations—of course in the spirit of modern life and in keeping with democratic thought—saying, "We have here our own traditions that we want to develop"?

[Cornea] Still, we are talking about general principles and, I would even say, about strategy. Romanian society as a whole would find it much easier to accept the idea of autonomy or local self-rule for all parts of the country if it were presented not strictly as a minority issue; in other words, if in the presentations there were specific references to a general issue. That way you would be more in keeping with the approach you have always taken and for which you were highly praised by the opposition and by free-thinking individuals. From the time the opposition in Parliament was insignificant, you represented opposition positions and Romanian democracy in a manner far removed from aspects directly tied to the Hungarian community.

[Domokos] I participated in developing this strategy and I have been a proponent of the way it has been conducted. But, unfortunately, in this essential issue of democracy, of decentralization, of the renouncing of state bureaucracy, of giving communities the latitude to organize their own affairs and to best use their own resources, the democratic process has been blocked. We feel that the danger of a new statism is much greater now and has become evident in Romania in the past few months. The peril to democracy is much more apparent to the minority communities. We have developed a strategy to follow. This program and our demands have

nothing to do with Romanian territorial integrity, with separatism or dismembering the country. It wants everyone to win. We know along with everyone else that until they change the law on local public administration, for example, which would ensure a real, much greater, and much deeper local autonomy and local administration, nothing can be accomplished in this arena. Until the concept of true decentralization is stipulated much more clearly in the Constitution, this issue is blocked. But this does not mean that you cannot formulate some ideas, some principles to aim for. For us, everything, even ideas in the economic, legal or civil organization domains, becomes transformed immediately into a national problem, a crisis issue. We have to find our way out of this situation. Toward this end, I believe that the mass media must try to assimilate some new ideas. Where in our documents, for example, are there oversights or issues that are upsetting? Very often these are translated from English, and even in Hungarian they do not flow or come together very well, so they do not translate well into Romanian. Furthermore, society or those who express the level of awareness and spirit of Romanian society, do not harken to these ideas. We have to have a dialogue. Two years ago we proposed setting up a round table to include the government, political parties, certain institutions and organizations, religious leaders, and academia to discuss these questions. It was either categorically refused, especially by the FSN [National Salvation Front], or simply and totally ignored. Except for the PNT-cd [National Peasant Christian Democratic Party] which accepted the idea officially and offered its support, the proposal struck no responsive chord. Let me give you an example: at this congress, we could very easily have come to an impasse over the statutes. A commission established by the council delegates worked for a month on the new statutes. Not all of the component organizations approved of the statutes. Numerous amendments, variations and alternatives were proposed. It was just impossible to synthesize this massive amount of material or to break it into manageable pieces. But to put it out onto the congress floor as an object for analysis would have been disastrous. So we found a formula for a round table of conciliation which proposed a solution to allow us to move forward. That is why I am a proponent of such sincere, open discussions carried out in a spirit of mutual trust.

[Cornea] You have received some criticism from within the UDMR. Some have accused you of imposing your will, of dictating policy. Others have accused you of making concessions to the Powers That Be. You have withdrawn your candidacy. In retrospect, how do you view the situation?

[Domokos] I was convinced from the very first moment—and that was probably 23 December 1989, when some friends and I put forth the call that was eventually to form the basis of the UDMR—that my role would be a transitional one. All my life I have been a man of the arts, a writer. I worked in publishing for some 30 years. I took on political responsibilities because I



understood that the Hungarian minority in Romania had to have such an organization and that it naturally would be pluralistic. As everyone knows, it is made up of different parties and organizations, etc.

[Cornea] You are aware that this fact is not well known in the press or in the Romanian public. Even for me it was somewhat of a surprise to learn of the great diversity of opinion within the UDMR, which is normal of course. But there was this image—very incorrect as it turns out—of Hungarians who voted as a bloc and who all shared the same opinions.

[Domokos] Look how misinformation is repeated over and over. And, it is strange, because I have repeated over the past three years that we are not a monolithic organization, a single party—as we are accused of being—but we are made up of different parties. Within the UDMR there is a Christian-democratic party, an independent party with a liberal orientation and a party of small farmers. In recent months platforms have been clearly outlined. One is the Liberal Circle, a second the Initiative of Hungarians from Transylvania, which has a national-Christian orientation. Recently the Association of Hungarians Workers from Transylvania has appeared; it has a social-democrat orientation. In addition there are unions of teachers, of economists, one of the economy, there are cultural organizations, there is a strong organization of young, democratic Hungarians, another of women and so on. Sometimes I think it is a miracle that the UDMR continues to exist. Since some of these parties were established decades ago, with long traditions, with a glorious history that was broken, that was divided....

[Cornea] I do not think that it is a miracle. It is that sentiment of being besieged.

[Domokos] Yes, well the UDMR has kept its unity through this diversity. And this feeling of insecurity, of the permanent threat from extremist Romanian chauvinism, has contributed to this unity. There has also been this element of uncertainty, of anticipation, of hesitation and sluggishness on the part of the Powers That Be. Thus, our community has had this political attitude and behaviour that is now well known after the voting in the elections and for the Constitution, despite the abovementioned diversity.

Of course, it is said of me that I sometimes appear to be a dictator. It is very difficult for me to believe this because it is not in my nature to accept dictatorship. I know that such accusations have been made, obviously not by everyone, but there are some who say it. Others say that I am not sufficiently firm. There were some who had to be put in their places who were obviously abusing the Congress and the peace of the organization; people who were trying to focus attention on minor issues. Some have speculated that the Powers That Be or obscure organizations within society, even the SRI, were implicated. It is quite possible they have tried to disrupt other organizations, why not try similar tactics with ours?

Others say that I have been too conciliatory. Even the "Big Man" has told me that. Everyone knows that I was a friend of Ion Iliescu for many years, that we have known each other since our youth, and that somehow he had an "in" into the workings of the Union through me.

At the end of February 1990, I realized that the National Salvation Front was not the democratic organization that I had hoped it would be; I was part of the FSN council from the very beginning. I have stated my opinion of Ion Iliescu many times, pointing out the mistakes which he has made and the limits to his understanding.

[Cornea] He is a man who cannot adapt to new realities.

[Domokos] This does not mean, of course, that I do not remember a young student, a Romanian intellectual, modest and talented as he was when I knew him. Or even as a party activist, when, as opposed to the overwhelming majority, he was much more receptive to the cultural, artistic and intellectual circles in Bucharest and in other cities. But I do not think this is what is behind the charges directed against me by certain groups within the UDMR. What is at issue here is what I have said from the outset: First of all, I cannot see a reality called "Hungarians from Romania." Secondly, I am absolutely convinced that we do not have a chance regarding any effort of ours if we do not enjoy the support of democratic forces and if we do not, slowly but surely, come to the point where these issues can be understood and accepted by society and by the state institutions that pass the laws and orders and that ensure and guarantee the defense of rights and liberties.

[Cornea] In your speech, you talked of "the heroism of little steps." Whom were you opposing?

[Domokos] Anytime there is a crisis in society we encounter pathos, rhetoric, populism or, why not say it, demagoguery. These appeals have a very good chance to win over people. People do not see clearly where they are heading. They are not self-assured, they lack perspective and they live in confusion. Instinctively they are ready to follow decisive people; men who speak with a loud voice, in a simple fashion, and show them a way. In such conditions where extremism develops—which is a prelude to totalitarianism—certain symbols appear: martyrdom, heroism, sacrifice. I thought it was necessary to alert Hungarians in Romania, and the UDMR, to this phenomenon. This is because loud words distract attention from the real and difficult problems of mankind, and I said that true heroism does not mean usually, in the sense of the word, little facts or details that are learned and executed conscientiously. So I called for work, for social activity, for the exchange of ideas, and of activism. I called for a change in attitude that would allow us to fight apathy, rejection and fatigue. And, I contrasted irrational, emotional romanticism with realism and civic pragmatism.



[Cornea] It appears that the applause your speech provoked—which according to some UDMR members with whom I spoke, was surprising—indicated that your message was well-received.

[Domokos] I believe that not only was this message well-received—which, why should I deny it, was very satisfying for me here at the end of my political career—but accepted as well were the ideas regarding ties between the UDMR and other forces, and the politics of the future.

### TVR Under Everac Becoming Government's 'Mouthpiece'

93BA0612A Bucharest "22" in Romanian 11-17 Feb 93  
p 7

[Article by Tia Serbanescu: "SCINTEIA Is Back"]

[Text] Mr. Everac is the new Mount Everest of Romanian television. As such, he has decided to air his views by delivering weekly editorials.

The first editorial was devoted to the feeling of national pride, which, according to Everac, has become noticeably weaker since the Revolution, to such an extent that Romanian men, driven by "abject greed," have been fighting over "a measly pair of secondhand trousers" received as foreign aid. The fair sex has not behaved any better. According to the 30 January 1993 program, the answer to the question "what have our girls done with their pride" is to be found in Istanbul, of all places. Intellectuals (of both sexes, of course) have allegedly accepted "bribes" of a hundred dollars (for what services was not stated), thus ignoring the aforementioned national pride.

But if it was one of our ancestors—that is, our Roman forefather Trajan—who "created" Europe (as Mr. Everac has it), then it seems that Mr. Everac's anger is pointless. Because this means either that we have European pride—which has a broader sweep—or that we are trying in our own way to find our founding father again, or rather, that part of our European heritage. Just who it was that took it away from us—as we seem no longer have it—Mr. Everac does not say. Just when it was that we lost Europe, like the loss of Bessarabia and Bucovina, he passes over in silence.

The feeling of national pride, as Mr. Everac conceives of it, has rejected any connection to historical factors and has been confined to examples that everybody can easily understand. The only trouble is that, in listing deficiencies of this nature in national pride, Mr. Everac has put himself in an awkward position to say the least, because he is looking for national pride in the wrong places. When you look for national pride in a pair of second-hand trousers you are bound to lay yourself open to unpleasant surprises. It is just as risky to try to find it in that part "our girls" are selling in Istanbul. But if "our girls" are putting their national pride on display in Istanbul, does this mean that they are "doing their bit"

for patriotism? Let's not kid ourselves. They are doing the same work; only the currency is different.

By giving these examples, Mr. Everac has at his own risk sown confusion of the sort that would be fatal to him in the pages of EUROPA, but which in Bucharest caused national indignation. Mr. Everac cites such things as "contraband with other people's cigarettes" but forgets other questions such as: Where was our pride when we imported collectivization? Or when the *Securitate* was "involved in contraband" with the Pitesti experiment? Or when we imported all those nonsensical pronouncements of Stalin's, which our intellectuals parroted in all sorts of scientific reports, for which they received "tips" in the form of villas and titles? Or when we put up with all of Ceausescu's stammerings that were declared to be strokes of genius? Where was national pride when we had to stand in line in the darkness of dawn waiting to buy watered-down milk? These questions went unmentioned because Mr. Everac's logic naturally broke down right away during the first episode, getting tangled up over "those handicapped people with whom we are confused."

Of course, it is Mr. Everac's right to feel confused with whomever he pleases, but he should have displayed more caution in this area, if only for the sake of "national pride."

In the second episode of the series, in which he was the leading interpreter of Mr. Ion Iliescu's ideas, Mr. Everac referred to a friend with whom he had had a public conversation. The point of it was that, although the week before things were going very badly in the national-pride department, the week of 1-6 February saw improvement. A brief article (by the friend) reviewed all the achievements of national pride, ranging from tractors, the Romanian optical industry, aspirin, and shoes, to intellectuals, Olympic-medal winners, and the many who work, think, and love their country. It was then Mr. Everac's job to play the role of devil's advocate and bring up some opposing objections, which the friend in question proceeded to demolish, always with the same words: "there are only a few of those people." Only a few people are leaving the country. Only a few people see only the down side of things and criticize the current situation. Only a few people are corrupt (and, as Mr. Iliescu has it, they are "unrepresentative"). By comparison with the satisfied, and working, majority, the minority "played" by Paul Everac becomes statistically insignificant.

Oh holy statistics! Government officials, who always claim to know better than we do how we are living, what we have, and what we want, have always tried to confuse us with percentages. Statistics have become once more the government's favorite weapon. Instead of arguments we get numbers, which they interpret to suit them.

Mr. Everac has taken it as axiomatic that "the majority" is always representative, in contrast to "the minority" (who are like dead branches in an otherwise green and healthy forest), who represent nothing and no one, or at

most the interests of "foreign agents." Nevertheless, an intellectual—and Mr. Everac passes for one—is not allowed to disregard the extent to which a problem is "representative," regardless of statistics.

Mr. Everac, if only because he is considered an intellectual, should have been required to take into consideration the other side of the "many"—"few" equation. For instance, how many people opposed Ceausescu, even once it became obvious that he was running amok? Only a few, according to Mr. Everac. How many intellectuals brought fame (as Mr. Everac put it) to Romania? Only a few. How many school children won medals in international academic competitions? Only a few. How many people took to the streets on the night of 21 December 1989? Only a few. How many geniuses has Romania had? Only a few.

And yet these "few" have meant a great deal to Romania's "national pride," to say nothing of the fact that majoritarian thinking is liable to mislead even its practitioners. For instance, how many voters cast their ballots for Mr. Iliescu—the person most obsessed with majority representation? Of Romania's 23 million citizens, 16 million have the right to vote, some 7 million of whom voted for the current president. In terms of the total number of citizens, we see that "the minority" (7 million) voted for Mr. Iliescu, and that "the majority" (9 million) did not. And yet he is the President of Romania. According to the logic of Mr. Everac's friend, this should not be, from which it follows that the complete failure to take the minority into consideration is not always an inspired move.

The fact that for the time being Mr. Everac understands his role to be that of propagandist of the majority is one of the surest signs that restoration of the old aggressive communists is nearly complete. As a result of Mr. Everac's "editorials," Romanian television has openly become the mouthpiece of the party in power. By totally disregarding, demeaning, or rejecting any representative value the minority might have and by heaping excessive praise exclusively on the majority—which is right by force of numbers—Mr. Everac in effect becomes the practitioner of a mindset that rejects out of hand any truth other than that consecrated by the majority, ridicules dialogue, and extols the single voice expressed by the chorus of a fawning multitude assigned "importance" for echoing (gratis) Mr. Iliescu. Mr. Everac, imbued with above-average national pride, makes use of his position at least to echo Iliescu. And as we know, his position creates the means for doing so. And so it is that this "SCINTEIA" made its appearance, being delivered Saturday evening in a little roadside tavern; a family political education establishment serving up as the specialty of the house: national pride, plain style, privacy being guaranteed only up to the whisper level that can be picked up by a microphone.

Mr. Everac has announced that his involvement in television programming will not begin until 1 March. Judging by the ideological samples presented up to this

point, it seems that the problems are only just beginning. Harmoniously combining the useless with the unpleasant and resorting to dramatizations based on President Iliescu's speeches, Mr. Paul Everac seems to be the person best suited to give the restoration the image it deserves: a disgusting one.

### Role of Ministry of Research, Technology

93BA0523A Bucharest DIMINEATA in Romanian  
20 Jan 93 pp 1, 3

[Interview with Minister of Research and Technology Doru Dumitru Palade by Gabriela Boceanu and Dan Gheorghiu; place and date not given: "We Are a Small Ministry With a Great Future"]

[Text] [DIMINEATA] Would you be so kind as to "demystify" the motives that led to the establishment of your ministry, and tell us its official date of birth?

[Palade] The decision to establish the Ministry of Research and Technology [MCT] is Decision No. 809/28.12.1992. A lot of work went into it: Because we do not have legal experts, the draft was written by scientists with the support of specialists from the Ministry of Justice. Our ministry must be defined by taking into consideration that it is an indispensable instrument for long-term economic development. The aim of Decision 809 is to achieve a single strategy and policy in the development of science that has applications in Romania's economy. Both the Academy and the Ministry of Education conduct scientific research; we will have to coordinate activities in this field; however, this does not mean that we will exercise control over these institutions. We will collaborate at the domestic and international levels; a department of technical-scientific cooperation has already been created at the Ministry of Foreign Affairs. Research can effectively be compared to the transportation of a container of mercury fulminate: Any mistake in this area has serious—although perhaps not immediate—and irreparable repercussions. That is why we must take good care of the foundations that we have inherited, which represent a not insignificant research potential.

[DIMINEATA] How is the ministry organized?

[Palade] Our ministry has only 140 approved positions, and currently does not even have offices. It is structured along two branches: one branch is concerned with national scientific research programs, with their financing, and with the transfer of technology; and the other branch is concerned with science policy and strategy, management, computerization, innovation, and privatization in this field. It also has the usual departments of any ministry: administration, finance, control. We are a small ministry...

[DIMINEATA] ...with a great future. What is the relationship between centralization and decentralization in

terms of the organization chart, and how are the relations of the ministry with institutions under its jurisdiction?

[Palade] We cannot say that we have centralization problems, since the institutes in the research network do not belong to us but to the departments of their respective ministries. We are reorganizing our own institutes, not for better centralization but in order to more efficiently support research based on Romania's resources and possibilities, and aimed at new scientific fields in Europe and throughout the world. We are not working in a directed manner, but consider necessary a well-tuned system of mutual information on activities, contracts, scholarships, and so on.

[DIMINEATA] How does current legislation assure the protection of research?

[Palade] Here unfortunately—either because research has not been represented at the ministerial level, or because it has purely and simply been omitted—very few of the laws adopted so far have measures to protect this sector. That is why we have drafted a Law on Research that is now being examined by research institutes, higher education, and the Academy. By the end of the first quarter we hope to be able to send it to Parliament with the government's approval. The Law on Research will be complemented by the Research Personnel Statute, and is rather difficult to write since it will have to combine the interests of a great diversity of researchers (professors, doctors, engineers, and so on) in research institutes, higher education, the Academy, and will inevitably be faced with discontent, as is always the case in sectors

with a high concentration of intellectuals. We hope to reduce it as we gain some experience. We will also need a Law on Special Research Funds, without which we cannot finance any research program. This will be a temporary law, eventually to be included in the Law on Research. A draft law is being written at the Ministry of Culture, directed at intellectual property and assuring the authorship rights so important in research. We will also initiate a Government Decision to regulate the importation of tool-making machines, technologies, and equipment, and which will assure the participation of specialized institutes in bids, or even their organization within institutes. The press has in fact repeatedly reported the unjustified importation of television sets, buses, and so on.

[DIMINEATA] Are you choosing a specific organization model?

[Palade] Our organization and the Law on Research use elements from several models, such as the German and the French; we will probably borrow some elements from the Japanese model as well. Even the former CNST [National Council for Science and Technology] would envy the ruthlessness with which the Japanese monitor research results, and the punitive measures they take when someone does not stick to contract topics.

[DIMINEATA] A system and a program that are also consistent with the substance of this society.

[Palade] These are also matters of education, but that is Education Minister Maier's business. And the press can contribute a great deal.

**\* Slovak Measures on Bilingual Signs Protested**

**\* Dismissals Viewed**

93CH0384A Bratislava UJ SZO in Hungarian  
30 Jan 93 pp 1, 3

[Unattributed article including interview with Laszlo Nyers, former director of the Komarno District Road Maintenance Enterprise; place and date not given: "The Hungarian Placename Signs Strike Back; Applications From Ethnic Hungarians Not Expected?"]

[Text] *The power elite in independent Slovakia, which claims to be aspiring to become a rule-of-law state, is turning increasingly arrogant. The state administration waves aside with haughty self-assurance the market economy's fundamental principle and is getting rid of its best experts. Talent, professional expertise, and a record of good performance ceased to count long ago within state administration. We became convinced of this in the course of our interview with Laszlo Nyers, the former director of the Komarom [Komarno] District Road Maintenance Enterprise.*

*By his order of 20 January of this year, Slovak Transport Minister Roman Hofbauer dismissed Nyers from his position as director, effective 1 February. The minister's order did not give any reason for Nyers's dismissal.*

[Nyers] "On 23 December of last year, the minister thanked me for my good work and gave me a bonus of 7,300 korunas. A month later, without stating any reason for doing so, he dismissed me from my job. Isn't this a rather strange contradiction?"

When Laszlo Nyers requested an explanation for this unexpected measure, Ladislav Pauliny, the chief of the ministry's transport department, paid him a visit. Pauliny did not provide any explanation either, but he hinted that this was how the Hungarian placename signs were striking back.

Our more attentive readers will probably remember a report that appeared in our paper after the Christmas holidays. It said that Minister Hofbauer had dismissed the directors of four district road maintenance enterprises (three of them were ethnic Hungarians), effective 31 December. At that time a spokesman for the ministry admitted that the reason for the dismissals had been failure to carry out the minister's order concerning the removal of Hungarian placename signs. Laszlo Nyers's case appears to be entirely identical, except that it occurred one month later. Perhaps only because it might have offended even Mr. Hofbauer's sense of democracy to dismiss five directors at the same time.

The power elite is not only being arrogant but is spreading nicely as well, from the ministries downward. Also in the districts, the ruling movement's cadres are demanding a share of power, with ever less inhibition. Laszlo Nyers illustrates this with a concrete example:

[Nyers] "A few weeks ago a certain Mr. Maicher, the district secretary of the For a Democratic Slovakia Movement [DSZM], knocked on my door. Fully aware of being in power, using a tone as if he were calling me to account, and referring to statutes, he practically ordered me to remove all Hungarian placename signs, and demanded that I give him a list of the communities in which Hungarian signs were still to be found."

The local leader of the DSZM was lucky in that the director heard him out. Naturally, the director did not give him the requested list. But the local leader's lack of inhibition (the DSZM had received merely 3 percent of the vote in the district) was formidable, and reminiscent of the totalitarianism that once prevailed. This is what the world has come to!

Yesterday Laszlo Nyers responded in a letter to Minister Hofbauer's article "Petrovce or Gomorpeterfalva?" published in the Thursday issue of NARODNA OBRODA. Nyers regards as erroneous and misleading the minister's claim that Hungarian placename signs hampered providing clear directions for highway traffic and would have created chaos in the system of highway signs. He questions the minister's contention that in the final outcome there could have been signs in six languages, and wants to know how the minister is able to relate this to signs at road intersections, and to railroad and bus timetables. Laszlo Nyers concludes his letter by saying that, after reading the minister's article, he clearly understands why the directors have been dismissed. We wonder what the minister's reply will be?

Proof of the Slovak Transport Ministry's "sensitivity" to nationalities is the fact that, in several Slovak-language dailies, it has invited applications for the positions made vacant by the December and January dismissals of the directors of the district road maintenance enterprises in Galanta, Rimaszombat [Rimavska Sobota], Dunaszerdahely, Ersekujvar [Nove Zamky], and Komarom [Komarno]. In view of the fact that ethnic Hungarians are the most numerous specifically in these districts, the Coexistence Political Movement has issued a sharp protest over the ministry's failure to publish the invitation for applications also in Slovakia's Hungarian-language dailies. This is further proof that, as a matter of course, applications from ethnic Hungarians are not desirable.

**\* Mayors' Protest**

93CH0384B Bratislava UJ SZO in Hungarian  
19 Jan 93 p 3

[Undated statement issued by the Association of Towns and Villages in Zitny Ostrov: "Standpoint of the Association of Towns and Villages in Zitny Ostrov"]

[Text] The mayors sent the following letter of protest to the Slovak Government, the National Council of the Slovak Republic and its deputies, and to the presidents of the Hungarian political parties and movements:

"As mayors of the towns and villages in south Slovakia, Csallokoz [Zitny Ostrov], and Matyusfold [Galanta area], we are perceiving with real indignation the violations of rights that the state organs are committing by systematically removing the Hungarian placename signs.

"Their activity violates a series of legal norms. These include, among others: Article 11, and Article 34, Paragraph 2, of the Slovak Republic's Constitution; furthermore, Article 17, Paragraph 1, and Article 25, Paragraph 3, of the Constitutional Law on Human Rights and Basic Freedoms, which prohibits any form of pressure exerted for the purpose of denationalization.

"According to the Constitution (Article 2, Paragraph 3), any act not banned specifically by statute is permissible. At present the Slovak Republic has no law that prohibits direction signs with placenames in minority languages. And there was no such law in the Czech and Slovak Federal Republic either!

"The Language Law—which the state organs are citing in the course of their rights violations—merely prescribes (Section 3, Paragraph 4) that placenames and other geographic names must be displayed in the official languages. But there is not a single word in it about prohibiting the displaying of such information in other languages as well.

"Therefore we firmly protest against the continuing unlawful infringement of our citizens' rights and call on the Slovak Republic's state organs to cease and desist in their rights violations.

"For the Constitution (Article 2, Paragraph 2) specifies that state organs may act only on the basis of the Constitution and within the limits it sets, or to the extent and in the manner specified by statute.

"Hence we protest against the unlawful acts of the Slovak Republic's Ministry of Transport, Communications, and Public Works, as well as of the district police forces and the district road maintenance enterprises.

"We do so in full awareness of the fact that state power is vested in the citizens who exercise that power either through their elected representatives or directly (Article 2, Paragraph 1, of the Constitution). Thus, on their respective territories, the resolutions and ordinances of local governments are binding on the state organs as well.

"Therefore we call on the Government of the Slovak Republic to instruct its subordinate state organs in the spirit of our standpoint, and to order them to immediately cease and desist in their unconstitutional and rights-violating activity."

### \* Theater Fined

93CH0384C Bratislava UJ SZO in Hungarian  
18 Jan 93 p 1

[Unattributed interview with Sandor Beke, director of the Jokai Theater in Komarno; place and date not given: "What Will Komarno's Jokai Theater Do?"]

[Text] *Last week the ruling of the Komarom [Komarno] District Court was delivered to the Komarom District Office, whereupon the regional weekly KOMAROMI LAPOK and the Komarom Jokai Theater were found guilty of an offense against the Language Law and were fined 250 korunas each. We interviewed the theater's director, Sandor Beke, and asked him what the management of the Komarom Jokai Theater intended to do now?*

[Beke] To my knowledge, the district court remitted the case to the district office, without establishing that the law had been violated or an offense had been committed. There was no decision on the merits of the case, and we were required to pay the court costs. In this case, all matters pertaining to the defendants are being handled by Dr. Rezso Szabo, and therefore we ourselves have not appeared in court for any of the hearings. In my opinion, neither the district court nor the district office has jurisdiction to determine whether or not the Language Law has been violated. I believe that only the Constitutional Court has jurisdiction to decide that question. I am confident that the country will find many problems far more pressing than this, making mutual tolerance much more important than what the fabricators of conflicts would like. I think it is sheer hairsplitting to find anything objectionable about our unilingual theater posters. On that basis, all the businesses with the word "shop" in their names would have to disappear. Among the tenants leasing space in the theater building, for instance, "Fontana" would have to be renamed the "Vodotrisk Predajna" [Water Fountain Retail Outlet]. Advertising—and a theater poster is nothing more than that—is designed in accordance with whom the advertiser wishes to reach. Thus the theater's Hungarian—in other words, unilingual—poster is intended to reach the ethnic Hungarian audience. The poster is the last thing from which a Language Law case should be made. That our theater is the Komarom Jokai Theater should likewise create no problem. After all, there is also a Trnavske Divadlo [Trnava Theater]. In other words, the placename is a part of the theater's officially registered proper name. Anyone who is troubled by this ought to be more concerned with himself, about his own work, behavior, morals, and deliberate unsociableness. I will not even deign to mention the individuals by name. The fact is that we will appeal to the Constitutional Court if the district office finds us guilty of an offense. And should the Constitutional Court fail to redress our grievance, we would not hesitate to turn to the European organizations and institutions for human rights.

**\* Gasparovic on Economic Problems Facing Country**

93CH0386A Frankfurt/Main FRANKFURTER  
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[Report on conversation with Ivan Gasparovic, chairman of the National Council of the Slovak Republic, by mh: "The Economy Is the Largest Problem for the Slovak Republic—Austria To Be an Example for the Reform—A Conversation With National Council Chairman Gasparovic"]

[Text] Heidelberg, 9 Feb—The most important task facing the Slovak Republic, which has been independent since the beginning of the year, is the stabilization of the economy. Following the breakup of Czechoslovakia, the government in Bratislava is faced with great difficulties that cannot be solved without a functioning economy. This was said by Ivan Gasparovic, chairman of the National Council (parliament), which is to play a leading role in Slovakia until next week's planned election of a state president. Gasparovic was on his way to Strasbourg to negotiate full membership of his country in the European Parliament and in other European institutions. Under the communist regime, he had been pro-rector of Comenius University in Bratislava, he had been without party affiliation and only joined the Movement for a Democratic Slovakia Party of Vladimir Meciar last spring.

Gasparovic regretted that the Czech Republic had rejected a Bratislava proposal for a joint referendum on the confederation of both republics. This would have made the economic transition to independence substantially easier. In the meantime, 26 agreements had to be negotiated, which have in part not yet been ratified. Also, the splitting of the currencies, which was undertaken at the beginning of the week, had become necessary more rapidly than anticipated. For the immediate future, a rate of exchange with regard to the Czech koruna at a ratio of 1:1 is to be maintained; in the long run, however, the Slovak koruna is to become independent and convertible.

In restructuring the Slovak economy, consideration is being given in Bratislava to the example of Austria and France, complete with state influence on industry. In other areas, such as the banking industry, in which Austrian and German banks will be helping out in the future, or in the social and insurance industries, there are alleged to be private initiatives. Problems are said to be particularly involving the reorientation of the armaments industry, whose products are no longer in

demand. In the former joint state, the Prague government had, in coordination with the eastern counterpart of the European Community—the now defunct Council for Mutual Economic Assistance—transferred armaments and environmentally unfriendly industries such as aluminum production and chemical production to Slovakia. The Slovak enterprises had frequently become subsuppliers for Bohemia and Moravia with their domestic prices, with enterprises in Bohemia and Moravia selling their finished products at higher world prices. However, it is also a long-range goal here to privatize Slovak enterprises. But one must be clear in this regard that the reorientation will take longer than in the better-developed Czech Republic.

It is said to be impossible to close these enterprises immediately, even though the armaments products are no longer in demand. Unemployment in the Slovak Republic today is already at 15 percent and is substantially higher than in the Czech Republic, where it is running at 2.7 percent. Reorientation will take a long time, says Gasparovic, without identifying a time framework. However, he estimated that it would be something like four to five years. Reorientation is also said to be difficult because enterprise managers from the past deliberately led some enterprises into bankruptcy with a loss of jobs in order to be able then to buy them cheaply through a management buyout.

The Slovak Government will also be making efforts to acquire financial resources abroad. Gasparovic referred to the fact that his country is 80-percent dependent on imports, for example, in the energy sector. Coal and oil must be totally acquired from abroad. In this connection, he said that the Danube River Power Project at Gabcikovo on the Slovak-Hungarian border was of outstanding significance. It was designed before the changes by Czechoslovakia and Hungary and was initiated at that time. It is already delivering energy to Slovakia today, but will have to be expanded. The Slovak banks had issued bonds to secure the necessary financing. No thought is said to be given to private foreign capital regarding this project, even though Slovakia is fundamentally grateful for all assistance, whether it is private or rendered by the state.

Minority problems in Slovakia are said to be artificially ratcheted up from outside, according to Gasparovic. Today, more Hungarians are living in Slovakia than was the case in the past, whereas the number of Hungarian citizens in the Czech Republic has declined. If the coexistence of Slovaks and Hungarians is as intolerable as it is sometimes depicted, developments would most likely be the other way around.

## Macedonia

### Prospects for Surviving Ethnic Conflict

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[Article by Aleksandar Comovski: "An Abyss Without a Bridge"]

[Text] *Can Macedonia avoid the trap of bilateral majority tyranny, which one day could turn into a lasting ethnic conflict?*

"You Macedonians, you all lie," 70-year-old Ismail of Dobroste angrily and resignedly summed up a four-hour meeting between the central government (Frckovski, Popovski, Hajredimi) and the province. An Albanian-Albanian duel can also confirm that the ministers' arguments before the gathering of 400 Albanians, who politely and very tolerantly listened attentively and asked questions mercilessly, did not help: Zukevli Sulejmani bluntly asked Dzeladin Murati how long he and the PDP [Party for Democratic Prosperity] deputies' group would be a mere voting machine in the parliament and the government.

Naturally, there were no Macedonians at the meeting in the Vlazerimit school. That was the "main" argument in the Macedonian-Albanian battle in the middle of the Tetovo Assembly—after the fact.

The reasons for the overall strategy of Albanians' political and party interests in Macedonia cannot be determined from the standpoint of demystifying everyday matters and from what was heard, which sounded a little like the well-known local assembly meetings of self-managing socialism because of the urgent need for political brainwashing. From the perspective of and in light of the pluralist opinions of the Dobroste residents, however, it appears more and more certain that not only have the government's standard communications with citizens, those between the center and local areas, been cut off, but there is also a real possibility for overall manipulation. One of them is the classic party (PDP-NDP [National Democratic Party]) flirtation with the voters, according to Eliot's well-known principle, "You listen to what you do not dare to forget."

The constitutional initiative of the PDP coalition and its appendage—literally an appendage, since in the letter sent to the president by Muhamed Halili the NDP was written in by hand—was launched by the Macedonian Albanians, after two years of parliamentary life, more as an alibi vis-a-vis their own voters than as a real solution for amending the constitutional document. This proposal, so emphatically popularized through the public press conferences during the past three months, resulted from the trilateral talks in Geneva and in Skopje (the government, the EC, and the PDP). One month ago it was also formalized through a written appeal to the republic president, as one of the possible initiators to take the lead in the procedure for amending the Constitution. They thus gave a "favorable momentum" and as

"favorable a climate" as possible for initiating changes, as the coordinator wrote. A more logical method is pressure for implementing the constitutional provisions that are supposed to allow exercising both individual and collective rights. It is interesting, furthermore, that a tactical calculation is involved.

The government is one of the possible proposers of an amendment to the Constitution, and the PDP is its coalition partner, but, nevertheless, the initiative was sent to the republic president, allowing a certain flexibility and a political assessment of whether an amendment to the Constitution is possible. The PDP's initiative does not contain either a specific formulation for the amendment or the articles that are to be amended. It can be indirectly concluded that this is mainly an attempt to "feel the pulse" of the attitude and loyalty of the president of Macedonia with respect to the "promised" rights of Albanians in the state. The government is categorically against any change, and that position was directly conveyed in the talks in Geneva. The objective balance of power in parliament also does not permit any degree of certainty for "meddling" with the constitutional provisions. Accordingly, the back-up option of collecting 150,000 signatures, which is not a problem for the Albanians, as a possibility for setting in motion the constitutional-law machinery, is more of a screen to defend themselves to their own constituency, and an answer to the question of Dobroste's Sulejmani: "What are you Albanians doing in parliament?"

The very explanation of the launching of the constitutional initiative and of the meticulous listing of the disputed issues in parliament—language, representation in government, equal treatment in education—is itself a mask for everyday haggling, which some people consider permissible and logical.

What is so terrible and threatening to Macedonian identity if military summons are written bilingually? The fact that they are not is either a result of the ingrained bureaucratic attitude of the Macedonian administration, or part of the logic that also prevails in the General Staff—that one must constantly have reservations about young Albanians and their loyalty for the defense of their own state. To what degree will suspicion be expressed toward the capable and educated Albanians, who could be included in the police force? In spite of Frckovski's convincing arguments that during the last six months more Albanians have been admitted into the police force than into all the ministries and the Assembly, this is only an illustration of the change of an individual way of thinking, and not of the collective need for integration. Thus, can these "trivial" problems initiate "big" constitutional changes that in some cases can even be to the detriment of the proposer?

Minority rights, by their very nature, are counter to majority tyranny. They are designed to protect groups from the majority, and since it is not possible to amend the Constitution rapidly in accordance with narrow party interests, it is precisely the absolute majority

position that protects the Albanians in the legislative body from Macedonian national and political domination. Such protective mechanisms have also been built in through the republic president's suspensive veto and his right not to sign a law that threatens someone's interests and send it back into Assembly proceedings. That is not identical with the U.S. version of presidential power, but in any case it is a broad mechanism in the organization of the government and the division of powers in order to ensure that the "majority does not subordinate the minority," as stated by Justice Blackmun, a judge on the U.S. Supreme Court.

The Tetovo Assembly case, in a sort of political paradox, also raises the question of a possible Albanian majority tyranny against Macedonians. In every developed civil democracy, when "the blacks defend the white mayor," it would be a sign of a realignment of political interests. In the conditions of the fragility of the two national fabrics, Macedonian and Albanian, the defense of the chairman of the Executive Committee by all the Albanian committee members is only one indication of the emergence of the system for protection of the rights of citizens individually, but not collectively, through the systems and provisions for local self-administration. Judging from the reactions of the local population, interethnic consensus will probably have to be incorporated as one of the possible principles for protecting rights during this period of transition from a national to a civil society. Its *de facto* existence can be analyzed through the political government's experiences to date. In spite of the principle of unanimity in adopting the executive authority's decisions, the Albanian ministers have not been forced at any time to support "hot" and controversial cases if that threatens their personal, party,

or even ideological dignity. Nevertheless, the principles of a consensual democracy, which do not have to be incorporated institutionally, are often violated in the republic precisely by their advocates. It seems bizarre, but the fact is that the need for national(ist) isolation is also expressed through individual free forms of mutual communication—for example, the existence of two forums for human rights, identical associations for teachers and for women, or the absence of colleagues from the Journalists' Association. Why is there such a need for autochthony? The principles of interethnic or consensual democracy cannot be applied to any status of autonomy—national, or territorial-political.

Prejudices have enormous influence upon the formation of patterns of behavior. The American Robert Merton, describing the process of the creation of a politician as a "self-liked profession," claims that along with political blindness, first of all "he gives an erroneous definition of the situation, which then allows an erroneous idea, through separate political activity, to become correct." That closes off all areas for dialogue, and creates an atmosphere in which everyone can only hear himself. Listening recently to a radio debate between liberal political scientist Dr. Mirjana Maleska and the "hard-core" Albanian studies specialist Dzevat Geva, the impression was left that arguments are unacceptable even when the views are identical. Even when Maleska sought and defended the arguments for promoting a consensual democracy, the main pillar of which is loyalty—something that the educated elite among Albanians care about—Professor Geva from the Philosophy School did not abandon his suspicions.

The abyss, of course, requires its own bridge.

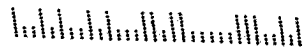


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